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Harry Veryser, Chairman, Economics Department, Walsh College of Accountancy: "The Economics of Human Action—Using the Principles of the Market in Your Business and Personal Life."

Charles Baird, Professor of Economics, Cal State Hayward and *Ideas on Liberty* columnist: "Why Wages Rise: Genuine and Artificial Means to Increase Economic Growth and the Standard of Living."

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IDEAS ON LIBERTY

April 2002 Vol. 52, No. 4

FEATURES

8 Why Are Golden Arches Lightning Rods? *by Christopher Lingle*

10 Safer Living with Chemistry *by Angela Logomasini*

17 Socialism of the Spirit *by Karen Selick*

19 The Pernicious Nature of Victimless-Crime Laws *by Joseph S. Fulda*

21 Phony Food Crisis *by Jim Peron*

27 But Is There Such a Thing as a Free Breakfast? *by Ralph Hood*

29 The Failure of Keynesian Economics *by Steven Kates*

33 E.G. West: Champion of the Market for Education *by Charles K. Rowley*

38 Market-Based Higher Education *by Keith Wade*

40 The Private Road to Freedom *by Scott McPherson*

44 What's Wrong with Reparations for Slavery *by Stefan Spath*

48 Businessmen on Business Values *by William H. Peterson*

50 An Economics Lesson for the Drug Czar *by E. Frank Stephenson*

E.G. West

William Gladstone

COLUMNS

4 *FROM THE PRESIDENT'S DESK*—Amazing Graph *by Mark Skousen*

15 *IDEAS and CONSEQUENCES*—A Man Who Didn't "Grow" in Office *by Lawrence W. Reed*

25 *POTOMAC PRINCIPLES*—Tips to Hike Your Taxes *by Doug Bandow*

31 *PERIPATETICS*—Stimulate the Catallaxy? *by Sheldon Richman*

42 *ECONOMIC NOTIONS*—Government Creates Prisoners' Dilemmas *by Dwight R. Lee*

53 *THOUGHTS on FREEDOM*—An Economist Reflects on Law *by Donald J. Boudreaux*

63 *THE PURSUIT of HAPPINESS*—Is Monopoly Good or Bad? *by Walter E. Williams*

DEPARTMENTS

2 Perspective—Fiscal Force *by Sheldon Richman*

6 Social Security Is Moral? It Just Ain't So! *by Tibor R. Machan*

52 Capital Letters

55 Book Reviews

The Skeptical Environmentalist: Measuring the Real State of the World by Bjørn Lomborg, reviewed by Jane S. Shaw; **The Joy of Freedom: An Economist's Odyssey** by David R. Henderson, reviewed by George C. Leef: **Friedrich Hayek** by Alan Ebenstein, reviewed by Bettina Bien Greaves; **World War 3.0: Microsoft and Its Enemies** by Ken Auletta, reviewed by Barbara Hunter; **Bowling Alone** by Robert D. Putnam, reviewed by Loren Lomasky; **States' Rights and the Union: Imperium in Imperio, 1776–1876** by Forrest McDonald, reviewed by James Ostrowski.

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PERSPECTIVE

Fiscal Force

"I know ev'rybody's income and what ev'rybody earns; And I carefully compare it with the income-tax returns;"
—W.S. Gilbert, *Princess Ida*

April is the cruellest month, for reasons other than what T.S. Eliot had in mind. This is the month in which you must account for yourself to Caesar. The authorities, having relieved you of a goodly portion of your earnings before you even caressed the banknotes between your fingers, now demand you show cause why you should not remit still more.

And in further demonstration of the principle that the citizen in this beloved democracy is the master and the government the mere servant, you are requested to affix your signature beneath these calming words: "Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete."

Those who deem such threats—I mean words—harsh have clearly not visited the friendly IRS website. There you will find much useful information, including the "truth about frivolous tax arguments." These are the sundry claims that no American citizen is legally obliged to pay the income tax.

The first "frivolous argument" is that the income tax is voluntary: "Proponents point to the fact that the IRS itself tells taxpayers in the Form 1040 instruction book that the tax system is voluntary." Considering the source of the argument, it might seem something more than frivolous. But, alas, the government subscribes to the Humpty-Dumptian philosophy of language found in Lewis Carroll's *Through the Looking Glass*: "'When *I* use a word,' Humpty Dumpty said, in a rather scornful tone, 'it means just what I choose it to mean, neither more nor less.'"

As the IRS explains, "The word 'voluntary,' as used in *Flora* [*v. United States*] and in IRS publications, refers to our system of

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allowing taxpayers to determine the correct amount of tax and complete the appropriate returns, rather than have the government determine tax for them. . . . [T]he court clearly states, 'although Treasury regulations establish voluntary compliance as the general method of income tax collection, Congress gave the Secretary of the Treasury the power to enforce the income tax laws through involuntary collection.'" And if one should choose *not* to volunteer to determine the correct amount of tax and complete the appropriate returns?

But I risk frivolity, don't I? And we all know the penalty for that.

* * *

Why do the anti-globalization protesters always target McDonald's, but are never seen publicly melting Nestlé Crunch bars or smashing karaoke machines? Christopher Lingle has an explanation, and it's not very flattering.

Artful exploitation of the news media by anti-capitalist environmental activists has left many people with the impression that manmade chemicals routinely endanger their lives. They'd be surprised by the facts, Angela Logomasini writes.

It's bad enough using the state to appropriate money from your fellow citizens. Karen Selick says it's far worse to use it to appropriate character.

Criminalizing certain victimless behavior is not just a matter of attempting to control peaceful individuals' lives. As Joseph Fulda demonstrates, it's also a policy that by its nature subverts civilized law-enforcement institutions.

Some people refuse to believe—despite all evidence to the contrary—that the world is not going to run out of food. Jim Peron explores the good news that is so hard to swallow.

Have you noticed that hotels give more and more things away for free? They're not really free; you just pay for them whether you use them or not. Why are they doing that? Ralph Hood knows.

Alas, too many people still claim Keynes as their favorite economist. Et tu, Alan Greenspan? Steven Kates has the scoop.

No economist has done more to show that government is not needed to provide education than E.G. West, who died last October at the age of 79. His friend and colleague Charles Rowley pens an appreciation of this distinguished man.

An important untold story is how private enterprise is innovating in the provision of higher education. Keith Wade relates his own experience on both sides of the lectern.

The road to serfdom is a state-owned road. How about the road to freedom? Scott McPherson calls for privatization.

A movement is gaining momentum to procure reparations for descendants of slaves in the American South. Stefan Spath valiantly tries to make sense of the case.

American businessmen line up for corporate welfare and give big bucks to organizations that oppose capitalism. A death wish perhaps? William Peterson wonders.

Americans are spending less on illegal drugs, and the drug czar celebrates. But hold on, E. Frank Stephenson writes. Economics can shed some light that won't please the drug warriors.

A provocative set of topics emanates from the word processors of our columnists this month: Mark Skousen ponders how competition benefits religion. Lawrence Reed pays homage to Gladstone. Doug Bandow has timely tips on increasing your taxes. Dwight Lee identifies prisoners' dilemmas created by the government. Donald Boudreaux compares law and economics. Walter Williams considers the good and bad of monopoly. And Tibor Machan, encountering arguments for the goodness of Social Security, remonstrates, "It Just Ain't So!"

Books on skeptical environmentalism, an economist's love of freedom, F.A. Hayek, the Microsoft case, the breakdown of community, and states' rights—these are what our reviewers report on this month.

—SHELDON RICHMAN

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From The President's Desk

IDEAS ON LIBERTY
APRIL 2002

by Mark Skousen

Amazing Graph

"Both liberal and strict religious groups are more dynamic when they have to compete for members on a level playing field."
—GARY BECKER[1]

In January 2001, I wrote a controversial column titled "The Imperial Science," in which I argued that the economics profession, like an invading army, is overrunning the whole of social science. I used examples in law, finance, politics, history, and sports, concluding that it was high time to replace the phrase "the dismal science" with the "imperial science."

Religion is another area where economic research has recently made its mark. Lawrence Iannoccone (Santa Clara University) is one of a handful of economists who specialize in religion and economics.[2] In the late 1980s Iannoccone tested Adam Smith's hypothesis that freedom of religion would lead to a higher level of attendance in church services. Smith believed that competition benefits religious groups because they're forced to learn to satisfy the needs of their members.[3] In testing this theory, Iannoccone compared attendance at church and the degree of religious monopoly in various Protestant and Catholic countries between 1968 and 1976. His test produced a striking result: church attendance varied inversely with church concentration in Protestant nations. Church attendance among Protestants was high in freely competitive nations, such as the United States, and low in countries monopolized by a single Protestant denomination, such as Finland. In short, the more religious freedom a nation enjoys, the more religious people are (as measured by church attendance).[4]

Soon after Iannoccone's study was completed, two sociologists applied market principles to the history of American religion and came to the same conclusion: religion thrives in a free-market environment. Roger Finke (Purdue) and Rodney Stark (University of Washington) found the United States to be almost a perfect experiment in what they termed an "unregulated, free market, religious economy." By the start of the American revolution, religious persecution had largely ended and tolerance gradually gave way to religious freedom. The largest denominations sought a tax-supported state religion, and even formed cartels aimed at preventing competition, but all efforts failed. Most states followed Virginia's lead in opposing any state church.

Finke and Stark came to the following remarkable findings using their explicit market model in studying religion in America:

First, fierce competition and the constant evolution of new religions in America resulted in a steady rise in church participation over the past two centuries. Amazingly,

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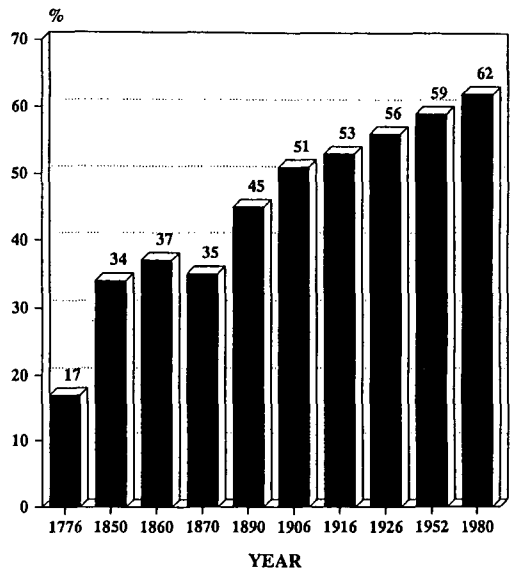
"America shifted from a nation in which most people took no part in organized religion to a nation in which nearly two thirds of American adults do."[5] (See the figure below.)

Rates of Religious Adherence, 1776–1980



Source: Finke and Stark, *The Churching of America*, p. 16.

The Impossible Dream of One Faith

The sociologists found, second, that it is impossible for one faith to dominate the nation in an environment of relentless competition. In colonial times, the Congregationalists and Episcopalians dominated. But they could not cope with the fierce competition from the Methodists, Catholics, and Baptists during the frequent revival periods of American history. Just as no corporate monopoly lasts forever, so also does it seem impossible for a mainstream religion to stay on top for long. Finke and Stark conclude that no religion, no matter how successful in the short run, can convert the whole world. Christians just don't seem to be content with one church, just as consumers can't agree on one car model or one type of tennis shoes. Over time, all markets—whether for automobiles, shoes, or religions—tend to show an increase in quantity, quality, and variety. As Finke and Stark demonstrate, despite the constant call for all Christian groups to be "as one," unification efforts have repeatedly failed. The conventional wisdom that "all churches are alike" is inaccurate. Diversity is the lifeblood of religious life in America.

Third, Finke and Stark discovered that mainstream churches which compromised their principles and eliminated their "strong doctrines" invariably experienced widespread defection and ultimate failure, while churches that maintained high doctrinal standards, such as the Catholic Church, prospered. In other words, the market rewards the quality of religious worship. "We argue repeatedly that religious organizations can thrive only to the extent that they have a theology that can comfort souls and motivate sacrifice."[7]

Fourth, the scholars refuted the popular belief that urban communities are less religious than country life. Debunking the preachers' myth that city life is "wicked and secular," Finke and Stark provide evidence that church attendance rates are higher in cities than in rural areas.

In sum, we can see that the principles of economics are universal. Incentives, competition, quality, and choice apply not only to the material world, but to the spiritual realm as well. □

1. Gary S. Becker and Guity Nashat Becker, *The Economics of Life* (New York: McGraw Hill, 1997), p. 16.
2. Another is Robert H. Nelson, author of two excellent books, *Reaching for Heaven on Earth: The Theological Meaning of Economics* (Savage, Md.: Rowman & Littlefield, 1991) and *Economics as Religion: From Samuelson to Chicago and Beyond* (University Park, Pa.: Penn State Press, 2001), both of which deal with economics as religion rather than the economics of religion.
3. See Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1965 [1776]), pp. 744–48. I discuss Adam Smith's views on religion in more detail in my book *The Making of Modern Economics* (New York: M.E. Sharpe, 2001), p. 27.
4. Lawrence Iannaccone, "The Consequences of Religious Market Structure," *Rationality and Society* (April 1991), pp. 156–77. See also "Adam Smith's Hypothesis on Religion," chapter 10 in Edwin G. West, *Adam Smith and Modern Economics* (Hants, England: Edward Elgar, 1990).
5. Roger Finke and Rodney Stark, *The Churching of America, 1776–1990: Winners and Losers in Our Religious Economy* (New Brunswick, N.J.: Rutgers University Press, 1992), p. 1.
6. Ibid., p. 32.
7. Ibid., p. 5.

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IDEAS ON LIBERTY
APRIL 2002

Social Security Is Moral?

It Just Ain't So!

A good many people express incredulity with the consistent free-market, or libertarian, position. They consider opposition to the welfare state as something bizarre, rejection of unlimited democracy as almost un-American, and opposition to things like Social Security as bordering on outright callousness. For this reason it may be of some value to illustrate how a libertarian may respond to a prominent defense of Social Security, the quintessential American welfare-state policy.

A while back in the *New York Times*, Henry J. Aaron of the Brookings Institution, one of this country's most prestigious Washington think tanks supporting nearly all welfare-state measures, laid out the case for the continuation of Social Security. Here is how he put his case: "Most individuals . . . do not do a very good job of planning for distant or unlikely events like retirement or disability. Moreover . . . since many people are already exposed to the risks of big stock market swings through 401(k) programs and Individual Retirement Accounts, there is good reason to maintain Social Security as a guaranteed benefit in which any investment or economic risks—as well as administrative costs—are spread across the generations and income levels. The wild gyrations in the stock market . . . underscore the point." Mr. Aaron then added, "The reasons that led the nation to adopt social insurance are about as strong now as they ever were."

This is indeed a standard and familiar way to defend Social Security and many other welfare-state measures. How can the libertarian insist that Social Security is immoral? Here is how.

Perhaps it is true that "most individuals do not do a very good job of planning for distant or unlikely events like retirement and disability." This fact, if it is one, does not support in the slightest the imposition of various costs on other people who in fact *do* do a good job. Why should the negligence and oversight of some people impose burdens on others who are prudent and who use foresight? What is the point of being prudent if you are still burdened with the insolvency and debt of other people? We could justify bank robbery that way too: The savers should not complain when those who have failed to save take their money, since the thieves simply did not do a good job of planning. Furthermore, if most people aren't good at planning for distant and unlikely events, why would most politicians, who must constantly worry about re-election, or bureaucrats, who need security as much as the next person, be better at this than the rest of us? No reason to think so at all.

What about the other concern, namely, stock-market volatility? This argument is deceptive because, in fact, over the long haul the stock market has long paid good returns. Moreover, the government's management of wealth is far from a sure-fire guarantee against disaster. (The Social Security Trust Fund, for example, is a myth.) But never mind the mythology of government guarantees; what about the alleged propriety of having government force you to avoid taking bad risks?

Government's Function

Mr. Aaron and others of his persuasion should be reminded that it isn't the proper function of government to be our mommies and daddies. Government folks are, after all, human beings, no different in wisdom and virtue from the rest of us. How dare they make themselves our guardians? It is our

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right to manage our lives as we see fit, even if there are serious risks involved. (Everything we embark on in life entails risk.) Why not oversee our marriages, sex lives, religious affiliations, and so on? Why not just forget about this "free country" stuff and make us all wards of the state? What is forgotten by Mr. Aaron & Co. is that citizens are not children and the less they are trusted with their own lives, the more inept they become not only at living life, but also at figuring out who should hold political office. Dumbing down America is what the Aaron political economy amounts to, nothing less.

In general terms, the libertarian thinks more of human beings than many people think of themselves, probably because he discounts much of what is implicit in American public education, where kids are mostly treated as units in a rather dumb herd. The libertarian holds on to the conviction that free men and women can—and often do—deal with life better than the ruling elite thinks they can.

To be sure, there are risks associated with living as free men and women. But they are not so great as the risks involved in allowing bureaucrats to violate our rights to free judgment and action, to life, liberty, and the pursuit of happiness.

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IDEAS ON LIBERTY
APRIL 2002

Why Are Golden Arches Lightning Rods?

by Christopher Lingle

It is obvious that anti-globalization forces suffer from a myopic fixation on symbols rather than offering arguments based on substance. The clearest evidence of this is the widespread attacks on McDonald's outlets and other iconic symbols of Americana.

Perhaps these protesters have poor powers of observation or simply lack fertile imaginations to seek out some new symbol of protest. It does seem curious that there are no known complaints about the global reach of karaoke or the invasions of Asian cuisines that have swept the world.

Surely, there are more karaoke bars in more cities around the globe than there are McDonald's restaurants. And what about the scourge of Latino songs that have stormed the music world like wildfire? Or things Korean that charm a growing number of admirers among Asians? And who accounts for the sins of Sony and Mercedes?

As it is, would-be activists have cut their teeth on breaking into or tearing down structures adorned with the Golden Arches. Jean Bove, a self-styled French farmer who spends more time on the barricades than on his fantasized farm, was catapulted into stardom by vandalizing one of those hamburger joints. Ironically, no one paid attention to the fact that his act destroyed job opportunities in a rather depressed part of France.

Now McDonald's has become the target of choice of those who would express outrage against the U.S. retaliatory actions for terrorism directed at the Taliban, Afghanistan's wannbe government. In neighboring Pakistan, unruly crowds trashed McDonald's in Islamabad and Karachi. Demonstrators in Indonesia have been slightly more tame with outlets in various cities being cordoned. As if to show their resolve and to make up for their tempered rage, protesters also set upon Pizza Hut outlets and implored diners to stay away.

Although multinational corporations make an easier target for registering complaints about globalization, ubiquitous brands certainly are not limited to the United States. As suggested above, it is simply wrong to portray globalization as a form of cultural imperialism by America or the West. (The favorite target of the predecessors of modern anti-globalists was the Swiss company Nestlé.) Indeed, globalization involves a more complex process of modernization combined with internationalization. Those who would pretend it is otherwise are playing a dangerous game.

Attempts to mischaracterize globalization as an American or Western conspiracy resonate of social theories that supported ruinous economic policies in much of the postwar period. Generations of Latin American dictators, African despots, and communist commissars condemned their countries to grinding poverty by thinking along these lines.

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Causing generations to suffer from economic stagnation is bad enough. Now their modern-day fellow-travelers are encouraging a divisive view of the world that is inhabited by a virtuous "us" and an evil "them." Under this banner, the downtrodden victims are acting righteously in tilting against the windmills of multinational corporations. Unwittingly perhaps, this fuels the fire that burns in the gut of terrorists.

Granted, there is an apparent convergence toward certain norms or rules that are common to Western cultures, especially as they relate to economic transactions. However, this convergence is the outcome of a natural and evolutionary procedure that arises from voluntary choices by citizens and their governments to engage in worldwide markets. Most of these individual or collective choices are made with the aim of promoting greater prosperity. Consequently, as more countries have opened their economies to global markets, they have found a need to establish certain legal arrangements that oversee contractual agreements.

Part of this trend should be welcome to those who oppose authoritarianism. For there is an unmistakable movement toward institutions that protect individuals and away from authority-based institutions that protect state power. Critiques of globalization are little more than another round in the struggle between conservatism and modernism.

Biggest Losers

If protests and vandalism are successful in undermining global branding, the biggest losers will be consumers, especially those in poorer countries. Whatever the complaints against corporations with global reach, the presence of these brands benefits consumers by lowering information costs. Wishing to protect brands, companies will insure a high level of standardized quality and nondiscriminatory treatment of customers.

The good news is that larger multinationals are unlikely to withdraw completely even from the most threatened markets. They can buy up or into local brands or diversify into products with names that may not indicate the geographic origin of the company.

In all events, the success of branding has spawned imitators in developing countries. In the Philippines, a local burger brand named Jolly Bee bested McDonald's sales before moving into regional markets and a few outlets in California. Another fast-food franchise operation in Guatemala based on chicken products, Pollo Campero, outsells all competitors despite the presence of all the major chains.

It is a gross misrepresentation to depict globalization as the outcome of a conspiracy of anonymous and mysterious foreign forces. The globalizing impulse is to a large degree the result of preferences for imported products or services that are better or cheaper than what is produced locally.

In this sense, globalization is not merely benign. It reflects an expanding freedom of expression for citizens acting as consumers. Those who oppose these results reveal their own elitist loathing for their fellow citizens and their right to express their choices.

Message to anti-globalists: Your distaste for Big Macs or American policies gives you neither the right nor obligation to stop others from enjoying their Happy Meals. Especially when it causes someone else to lose his job. □

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IDEAS ON LIBERTY
APRIL 2002

Safer Living with Chemistry

by Angela Logomasini

Back in 1651 Thomas Hobbes described life in the state of nature as "nasty, brutish, and short." But even in civilized society during his lifetime, most people lived under what we would consider wretched conditions. At that time, you were lucky if you lived past 30; our notion of basic sanitation didn't exist; people used city streets to dispose of their trash; plagues were not uncommon; food supply was often short and very basic; and rudimentary home-heating systems using wood or coal made indoor air pollution a serious health hazard. While many of the problems were environmental, few people had the time or leisure to worry about "the environment" as a public issue. Most simply worried about day-to-day survival.

But dramatic changes in the quality of life have occurred in recent history. Global life expectancy in the last century climbed from 30 to around 60. In the United States, life expectancy has reached 76. So many of the things we take for granted—hot and cold running water, health care, and a stable food supply were unknown to mankind throughout most of history.

Why is it that in the last couple of centuries things have changed so rapidly, when for thousands of years life remained a struggle for survival? For one thing, free-market economies emerged, based on the principles on which the United States was founded. John Locke spoke of these principles as the unalienable rights to "life, liberty, and estate." Later Thomas Jefferson echoed these sentiments and helped make them central to the American way of life. Such basic liberties mean that we in America have the right to self-determination and the right to profit from our own ingenuity. From the onset of government based on fundamental rights, free-market economies emerged, wealth increased profoundly, and our quality of life improved by leaps and bounds.

Among the many achievements was the development of manmade chemicals, which have revolutionized how we live. They make possible such things as pharmaceuticals, safe drinking water, and pest control. Yet popular perception is that manmade chemicals are the source of every possible ill from cancer, ozone depletion, and infertility to brain damage. Ignoring that nature produces far more chemicals in far higher doses and that most chemicals are innocuous at low doses, activists capitalize on these fears. They scare the public by hyping the risks to ensure that the government passes volumes of laws and regulations all focused on the elimination of chemicals, thus jeopardizing our freedom without much regard for the tradeoffs.

Advocates of such limits say that we need to make sure every chemical is safe before

---

Angela Logomasini (alogomasini@cei.org) is director of risk and environmental policy at the Competitive Enterprise Institute. The article is drawn in part from a section in CEI's new book, The Environmental Source.

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exposing the public. In his recent book, *Pandora's Poison*, Greenpeace's Joe Thornton calls on society to follow the "precautionary principle," which says we should avoid practices that have the potential to cause severe damage, even in the absence of scientific proof of harm. Thornton advocates a "zero discharge" policy, which calls for the elimination of all "bioaccumulative" chemicals. In particular, he has long called for the elimination of chlorine, about which he noted in *Science* magazine (July 9, 1993): "There are no known uses for chlorine which we regard as safe." More recently, perhaps in recognition that this standard is politically untenable, he suggested that we continue using chlorine for "some pharmaceuticals" and some "water disinfection," but only until other options become available.

Promoting such "precautionary policies" could mean halting all industrial activity, because nothing can be proven 100 percent safe. Hence, such policies carry dangerous tradeoffs. While chemicals may create new risks, they have been used to eliminate others—many of which wreaked havoc on civilization for centuries. As the Competitive Enterprise Institute's Fred Smith notes: "Experience demonstrates that the risks of innovation, while real, are vastly less than risks of stagnation." Indeed, he asks, what would the world be like if we had never introduced penicillin because we could not prove it was 100 percent safe?

Essential Chemicals

While we don't think much about it, man-made chemicals are essential to almost everything we do. They make our cars run; they clean everything from our teeth to our dishes; they reduce illnesses by disinfecting everything from our bathrooms at home to the operating rooms in our hospitals; they are used on food products such as poultry to eliminate E. coli and other deadly pathogens; and they keep our computers, televisions, and other electronic products running. Consider just a few of the critical functions they perform in making our lives better:

- Chlorination of water supplies has saved millions of lives. For example, since local engineers and industry introduced chlorination in 1880s, water-borne-related deaths in the United States have dropped from 75 to 100 per 100,000 people to fewer than 0.1 deaths per 100,000 annually in 1950.[1] Rather than curtailing the use of chlorination as Thornton suggests, we should be expanding access. According to the World Health Organization (WHO), in the developing world diarrheal diseases (such as cholera and dysentery) kill about two million children under five every year because of such things as poor sanitation and unsafe drinking water. Nearly 85 percent of pharmaceuticals that we now use require chlorine in their production.
- Thanks to chemicals used for pharmaceuticals, combination drug therapy has reduced AIDS deaths by more than 70 percent from 1994 to 1997.[2]
- Fifty percent of the reductions in heart-disease related deaths between 1980 and 1990 (total death-rate decline of 30 percent) are attributable to medicines and the chemicals that compose them.[3]
- Chemicals called phthalates (there are several kinds) are used in PVC—vinyl used for medical tubing, blood bags, and numerous other products. While environmentalists have tried to ban these,[4] vinyl medical devices provide many life-saving benefits. PVC is a safe, durable, sterile product that can withstand heat and pressure, and produces tubing that doesn't kink. It's particularly beneficial for vinyl blood bags because it stores blood twice as long as the next best alternative and doesn't break like glass alternatives. In times of blood shortages, PVC blood bags are an essential tool in maintaining and transporting supply.
- Thanks to modern farming with chemicals, food production has outpaced population growth—providing people in both developed and developing countries with more food per person. Per

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While we don't think much about it, manmade chemicals are essential to almost everything we do. They make our cars run; they clean everything from our teeth to our dishes; they reduce illnesses by disinfecting everything from our bathrooms at home to the operating rooms in our hospitals; they are used on food products such as poultry to eliminate E. coli and other deadly pathogens; and they keep our computers, televisions, and other electronic products running.

capita grain supplies have grown by 27 percent since 1950, and food prices have declined in real terms by 57 percent since 1980. The use of herbicides to control weeds decreases the need for tilling soil, which in turn reduces soil erosion 50–98 percent.[5]

Disregarding such benefits, most of the key U.S. environmental regulatory statutes follow the lead of groups like Greenpeace, focusing on the elimination of chemicals without much regard to the dangers of not having these technologies. The Clean Water Act (1972), for example, made this unattainable pledge: "it is the national goal that the discharge of pollutants into the navigable waters be eliminated by 1985." While we can meet reasonable clean-water goals, we can't meet a zero discharge without forcibly halting industrial processes that bring us life-saving medicines, a safe food supply packaged to resist spoilage, and even clothing.

Likewise, regulations that the EPA issued under the Safe Drinking Water Act (1974) actually set zero as the goal for certain chemical contaminants in drinking water—something that is virtually impossible and totally unnecessary for public-health purposes. With such goals, drinking-water standards for chemicals are extremely stringent. For example, one standard for a contaminant demands that drinking water not contain any more than 0.03 parts per *trillion*. The high costs of such onerous standards mean that financial resources are diverted from other more essential needs.

The Manmade Cancer Myth

Writing in the *Journal of Clinical Oncology* last year, researchers from the University of Alabama Schools of Medicine and Public Health noted that "A typical commentary blamed 'increasing cancer rates' on 'exposure to industrial chemicals and run-away modern technologies whose explosive growth had clearly outpaced the ability of society to control them.'"[6] But their research finds: "There is no denying the existence of environmental problems, but the present data show that they produced no striking increase in cancer mortality." They conclude: "When the mortality from all smoking-related cancers is excluded, the decline in other cancer from 1950 to 1998 was 31 percent (from 109 to 75 deaths per 100,00 person years)." Hence the increase in cancer at that time was not related to the use of synthetic chemicals or pollution, but to personal lifestyle choices.

The most recent report from the National Cancer Institute confirms that: "Cancer incidence for all sites combined decreased from 1992 through 1998 among all persons in the United States, primarily because of a decline of 2.9 percent per year in white males and 3.1 percent per year in black males. Among females, cancer incidence rates increased 0.3 percent per year. Overall, cancer death rates declined 1.1 percent per year."[7] Cancer among woman increased slightly only because of better detection, which is good news because it means doctors are finding and curing more cancers among woman.

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In their landmark 1981 study of the issue, Sir Richard Doll and Richard Peto set out to determine the causes of preventable cancer in the United States.[8] According to Doll and Peto, pollution only accounts for 2 percent of all cancer cases. They do note that 80 to 90 percent of cancers are caused by "environmental factors." But while activists often trumpet this figure as evidence that industrial society is causing cancer, Doll and Peto explain that "environmental factors" simply means factors other than genetics. It does not mean pollution alone. Environmental factors include smoking, diet, occupational exposure to chemicals, "geophysical factors" such as naturally occurring radiation, manmade radiation, medical drugs and radiation, and pollution. Tobacco use accounts for about 30 percent of all annual cancer deaths, and dietary choices account for 35 percent of annual cancer deaths.

With so few cancers caused by pollution, how many could environmental regulation eliminate? With each regulation the EPA claims to save thousands from dying from cancer. Together, these would likely add up into the millions. But scientist Michael Gough demonstrates why we should consider such EPA claims suspect.

Gough analyzed the findings of the Doll-Peto study along with estimates of cancer risks in the EPA's report *Unfinished Business*. He came to conclusions similar to that of Doll and Peto. Gough noted that between 2 and 3 percent of all cancers could be associated with environmental pollution. Determining such numbers helps us understand what exactly the EPA can expect to accomplish when regulating pollutants. Gough says that EPA action could only address a small percentage of cancers: "If the EPA risk assessment techniques are accurate, and all identified carcinogens amenable to EPA regulations were completely controlled, about 6,400 cancer deaths annually (about 1.3% of the current annual total of 435,000 cancer deaths) would be prevented. When cancer risks are estimated using the more realistic method employed by the Food and Drug Administration (FDA), the number of regulatable cancers is smaller, about 1,400 (about 0.25%)."[9]

Faulty Rodent Tests

Given these realities, how does the EPA justify its claims? Many of the findings on chemicals and cancer relate to faulty tests that entail administering massive amounts of chemicals to rodents bred to be highly susceptible to cancer. Then researchers extrapolate the possible effects of such chemicals on humans, who may be exposed to small amounts of the same chemical during their lives.

We should ask: Why are the impacts on rodents relevant to humans? Doll and Peto note that some chemicals found to be carcinogenic in humans have not produced cancerous tumors in rodents. In fact, for many years, cigarette smoke failed to produce malignant tumors in laboratory animals although tobacco is a leading cause of cancer in the United States. These discordant effects of chemicals in animals and humans underline the difficulty of relying on animal results to estimate human risks.

Moreover, Bruce Ames and Lois Swirsky Gold demonstrate why we need not be concerned about low-level exposure to "rodent carcinogens."[10] They found that such chemicals pose no more of a risk than that posed by many natural, unregulated substances that are common and accepted parts of a healthy diet. While 212 of 350 of the synthetic chemicals examined by various agencies were found to be carcinogenic at the massive doses given to rodents, 37 out of 77 of the natural substances tested were also found carcinogenic in rodent studies employing the same methodology. The average intake of natural rodent carcinogens in plant foods is about 1,500 mg per person each day, while the average intake of manmade pesticides is .09 mg per day.[11] Natural rodent carcinogens exist in apples, bananas, carrots, celery, coffee, lettuce, orange juice, peas, potatoes, and tomatoes at levels thousands of times greater than exposures found in drinking water.[12]

The free use and development of chemicals have proven a key to human progress, and ill effects on health from low-level exposures are small, if detectable at all. Contin-

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ued progress demands the continuation of an unfettered marketplace in which firms can develop new products without having to meet an impossible or nearly impossible zero-risk standard. Such allegedly more "precautionary" approaches of the environmental activists actually risk a return to the world of Thomas Hobbes. □

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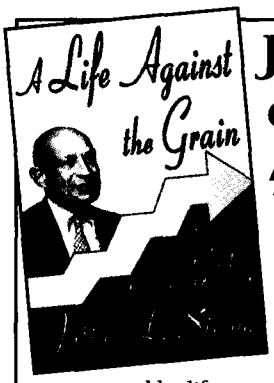

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APRIL 2002

A Man Who Didn't "Grow" in Office

Seven miles north of Escanaba in Michigan's Upper Peninsula sits a little town with a very big name. More than a hundred years after the death of the town's namesake it's unlikely that many of today's 5,000 residents of Gladstone could tell you much about him. But in the nineteenth century and for a long time thereafter, he was widely considered to be one of the world's greatest statesmen.

Gladstone, Michigan, wasn't always so named. It was originally christened "Minnewasca," the Sioux Indian word for "White Water," in 1887. Shortly thereafter, a local businessman pushed to rename the town after British Prime Minister William Ewart Gladstone. A nearby railroad was partially funded by British capital and area residents appreciated the resulting economic development.

Just who was this son of Scottish parents who read 20,000 books in his lifetime and could speak Greek, Latin, Italian, and French, in addition to English? Biographer Philip Magnus wrote that "at the time of his death [1898] he was . . . the most venerated and influential statesman in the world." Another biographer (who currently sits in Britain's House of Lords), Roy Jenkins, declares that Gladstone "stamped the Victorian age even more than did [Queen] Victoria herself, and represented it almost as much."

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No individual in history had a longer or more distinguished career in the British government: 62 years in the House of Commons; in charge of the nation's finances as Chancellor of the Exchequer for 14 budgets in four administrations; leader of a major political party (the Liberals) for almost 40 years; four times prime minister, for a total of 12 years. Gladstone was 84 years old when he retired as P.M. in 1894, the oldest prime minister in British history. He was hailed as the "Grand Old Man" for his leadership and stature and as "England's Great Commoner" because he was not of royal blood and refused to accept any titles of nobility. When he died, a quarter million citizens attended his funeral, one of the largest the country ever saw.

What made Gladstone both great and memorable was what he accomplished while he served in government. Biographer Magnus says that Gladstone "achieved unparalleled success in his policy of setting the individual free from a multitude of obsolete restrictions."

Today, when a citizen gets elected to make government smaller but ends up doing the opposite, the conventional wisdom credits him with having "grown in office." Gladstone's philosophy evolved, but in precisely the opposite direction—from a hodgepodge of statist notions to principled liberty. He entered Parliament at age 22 in 1832 as a protectionist, a defender of the tax-subsidized Church of England, and an opponent of reform. The eminent British historian Thomas Babington Macaulay described

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him as "the rising hope of the stern and unbending Tories."

Ardent Free Trader

By 1850 he had become an ardent free trader and by 1890 he was largely responsible for reducing Britain's tariffs from 1,200 to just 12. He slashed government spending, taxes, and regulations. He ended tax subsidies for the Church of England in Ireland. He pushed through reforms that allowed Jews and Catholics to serve in Parliament and that extended the vote to millions of taxpaying workers. He extolled the virtues of self-help and private charity.

Gladstone's administrations were not paragons of unqualified libertarianism. In domestic policy he sometimes supported interventionist measures. But it is undeniable that Britons were considerably freer when he died in 1898 than their fathers and grandfathers had been at the start of the century.

It wasn't the instruction he received while a student at Oxford that converted Gladstone to the liberation of the individual. Indeed, he offered this observation in later years: "I trace in the education of Oxford of my own time one great defect. Perhaps it was my own fault; but I must admit that I did not learn when at Oxford that which I have learned since—namely, to set a due value on the imperishable and inestimable principles of human liberty. The temper which, I think, too much prevailed in academic circles was to regard liberty with jealousy." Anyone familiar with the prevailing orthodoxy of today's academia would have to conclude that in this respect, the more things have changed the more they've stayed the same.

It was as president of the Board of Trade in the ministry of Sir Robert Peel in the 1840s that a young Gladstone came to champion free trade. The disastrous Irish potato famine was a powerful argument against laws forbidding the importation of grain for a starving populace. Gladstone befriended the Anti-Corn Law League's John Bright, became convinced of the logic of free trade, and secured the repeal of the protectionist Corn Laws over the objections of many in his own Conservative, or Tory, Party. The measure split the Conservatives, which paved the way for Gladstone and others a decade later to give birth to the Liberal Party.

Gladstone's conversion to free trade made him a big name in liberal circles in Britain and a rising star abroad as well. His international reputation soared in 1851 when, after a visit to Naples, he revealed to the world the appalling conditions in Neapolitan prisons. Reformers there were being locked up for speaking out on behalf of freedom. Gladstone's vigorous denunciation reverberated around the globe and later prompted the Italian patriot Garibaldi to credit the British parliamentarian with having "sounded the first trumpet call of Italian liberty."

In foreign policy, with a painful exception or two that he mostly later regretted, Gladstone practiced retrenchment. He opposed the imperialist policies of his archrival Benjamin Disraeli. He said he preferred the Golden Rule over intervention. He fought hard but failed to secure Home Rule for Ireland; if Parliament had been as wise as he on that issue, Ireland today might still be a part of the United Kingdom.

In February 1893, in his 83rd year, he delivered what one biographer terms "a lucid and brilliant speech" upholding the sanctity of sound money and the gold standard.

Gladstone often urged the British people to look to the ideas of America's Founding Fathers for inspiration. "I was brought up to distrust and dislike liberty; I learned to believe in it," he told a friend in 1891. "I view with the greatest alarm the progress of socialism at the present day," he said. "Whatever influence I possess will be used in the direction of stopping it."

Today, in little Gladstone, Michigan, a portrait of the Grand Old Man hangs in City Hall. The residents there can and should be very proud that their town's name didn't stay "Minnewasca" for long. □

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APRIL 2002

Socialism of the Spirit

by Karen Selick

Obesity is approaching epidemic proportions in Canada, studies tell us. Predictably, some busybodies have started promoting the idea of a "fat tax" on snack foods such as chips and cookies, comparable to the "sin taxes" currently imposed on alcohol and tobacco.

A surprising percentage of the population seems willing to entertain this idea. According to the *Globe and Mail*, 48 percent of the respondents polled agreed either "strongly" or "somewhat" with it. Coincidentally, 48 is exactly the same percentage of the population that experts classify as overweight or obese.

Unfortunately, the pollsters didn't correlate respondents' opinions with their waist measurements, so we don't know whether it was only thin people who voted yes to the tax, or perhaps even only fat people—both within the realm of possibility. My guess, though, is that the numbers didn't break down quite so neatly—that there was probably a mix of fat and thin people on both sides of the issue.

That's always the way it is with "morality" laws like this. There are plenty of smokers who say they're glad the government forces them to look at hideous pictures on their cigarette packages. Take a poll at a casino or racetrack and you're sure to find some patrons who think gambling should be outlawed. Many drinkers think taxing booze is wise public policy, and plenty of men who've patronized hookers think prostitution should be severely punished.

I can understand to some degree the mentality of those who don't indulge in a particular vice and want to legislate others out of doing so. In this day and age, when we're all chained together through the tax system and socialized medicine, we have an interest in preventing our fellow chain-gang crew from self-destructing and burdening us even further.

However, I'm skeptical about whether this can be accomplished by taxing vices. Most vices already have their own form of punishment built in. I mean, if the possibility of a heart attack or the humiliation of not being able to fit your enormous bulk into a bus seat isn't enough to scare you away from overeating, are a couple of extra dollars a week in taxes going to do the trick? Are financial incentives really the only form of reward and punishment that human beings respond to?

What I really can't understand is the mentality of those who do engage in a particular vice, but nevertheless tell pollsters that they'd like to see their vice either heavily taxed or completely outlawed. What happens to these people the moment they get off

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the phone with the pollster? Do their backbones instantly turn to jelly?

If overeaters really think a tax on fatty foods is a good idea, they can stick a piggy bank in the kitchen and deposit a loony (dollar) or two every time they open the refrigerator and sin. When the bank is full, they can donate the money to their local hospital. Why involve the rest of us in this scheme?

Of course, the answer is that it's easy to muster enough will power for a one-time telephone poll or a one-time vote for a politician who promises to punish you later for your own good. It's a lot harder to muster the will power to discipline yourself each and every time you feel the urge to sin.

So what these people would really like to do is borrow a little backbone from other people. They're like Ulysses, asking to be lashed to the mast so they'll be able to resist temptation later on.

If they would only confine themselves to borrowing backbone from willing lenders, there'd be no problem. Borrowing backbone is what people do in self-help groups like Alcoholics Anonymous. When they're tempted to sin, they call up another member who lends them the will power to resist. In return, they commit themselves to do the same for their fellows. It's voluntary and it's reciprocal—a great system.

Backbone Theft

But asking for new taxes or restrictive laws to help you control your vices is equivalent to trying to steal backbone, not borrow it. New laws would affect everybody—thin and fat, occasional drinkers and chronic alcoholics, the disciplined and the undisciplined. Someone who likes the occasional cookie, the occasional drink, or the occasional evening's entertainment at the casino would get punished for the sake of others who recklessly and habitually overindulge.

Canadians as a society have become so accustomed to the idea of redistributing wealth that we don't utter a peep—indeed, we may not even recognize what's happening—when we are confronted with a proposal to redistribute an intangible form of wealth: strength of character. We're willing to impose laws on those who don't need them—in effect, expropriating the sense of virtue that their behavior should rightfully earn them—in order to dole out a phony sense of accomplishment to those who haven't earned it.

I call this socialism of the spirit. To rephrase Karl Marx, it's: "From each according to his strengths, to each to indulge his weaknesses." And just as material socialism undermines a country's material productivity, so does spiritual socialism sap its production of character. □

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APRIL 2002

The Pernicious Nature of Victimless-Crime Laws

by Joseph S. Fulda

Laws creating victimless crimes are particularly pernicious laws. Their associated evils are essential rather than accidental; that is, their destructive properties stem from their very nature as victimless. It will soon become clear why federal judges commonly write and speak of "the drug exception" to search-and-seizure (Fourth Amendment) jurisprudence, why double agents lead double lives as members in good standing of both the law-enforcement community and drug underworld, why vice squads are notorious for taking bribes and for crossing the thin line between observer and participant, and why the whole enterprise of enforcing laws against this class of crimes smacks of smarmy agents doing questionable acts in the middle of the night at poorly lit harbors of criminal activity where most decent folks will not ever venture.

Let me begin with a short account of a crime that had a victim. In the height of the Dinkins-era crime wave in New York City,* I arose early one morning and decided after saying my prayers to have a breakfast of bagels. Since the bagel shop was only about five blocks from where I lived, I put on my coat, walked out the door, and started my walk. At the corner, two youths appeared as if out of nowhere; one held the blade of a knife palpably to my throat and demanded my money—which, not being foolish, I quickly surrendered. The incident left me angry and humiliated and after regaining my composure, I immediately hailed a police car. The officers and I patrolled the area looking in vain for the youths who had mugged me; then they took me to the station house to view mug shots.

I realized then why eyewitness testimony is so often flawed: While I was sure I could have identified the youths on the street had we passed them in the car, the task of identifying them from the mug shots was hopeless. I just could not do it with any degree of confidence. I left the police precinct house dejected, *dejected because the only hope for the criminals' capture had been that ride in the patrol car.* The victim's early identification—when what was stolen was cash and when the weapon was an ordinary knife—was the last, best chance of the police's making the arrest. I was both their first recourse and their last hope. I went away from the station house knowing that even if they were to be caught later for another offense, they would never be charged for the indignity and humiliation they had visited upon me.

This is, in essence, how it is with most crimes: The victim's ability to identify the criminal by sight, sound, or even smell; the victim's wounds and marks, if any; and traces of fibers and dropped materials in the

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*David Dinkins was mayor of New York City from 1990 through 1993.

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victim's surroundings provide the best shot at catching the criminal. In other words, the victim's active help is critical to an arrest and a successful prosecution. (In the case of murder, the victim has stand-ins—his family and friends.) The victim also provides the push for an arrest and successful prosecution. Rarely are crimes solved without the cooperation and impetus of the victim, although there are, of course, exceptions.

Therein lies the problem with victimless crimes. Since there is no complainant, no one whom the outlawed behavior has violated, how is it to be reported and detected? How are misfeasors to be brought before the court, and how is the prosecution to be carried out? What impetus is there for a prosecution?

The answer historically has been twofold. First, the rules for the police have been relaxed—the drug exception to search-and-seizure procedures. Second, the government has stepped in *in the place of the victim*, acting as a willing participant in the crime only to turn on the other party later. These are what are called "sting" operations, and mostly they are used for victimless crimes. But the officers participating in the sting are not true victims; they have not been harmed. Indeed, they collect a paycheck.

The problems this leads to are legion. These officers have dual loyalties for the sake of which they may play the government for the fool as often as those involved in the drug trade. This begins with the practical necessity of alliances in both worlds and ends with the very real allegiances to and in both worlds. Officers may take bribes; they may participate in crimes—justifying it to themselves and sometimes their superiors by the necessity of establishing a rapport with the criminals they are after or with their organizations. Sometimes they even participate in real (non-victimless) crimes or watch silently as their confederates knock off each other or innocent others. They justify this participation or silence to themselves or their superiors by the need to stay quiet till they can identify and arrest "the big guys"—even though the non-victimless crimes are committed on the street by the little guys. Case building of this sort takes a lot of time and many officers because the moment the officers blow their cover and make a series of arrests, they lose the ability to track and detect future (victimless) crimes, to make future arrests, and to prosecute further cases. So the emphasis is always on casting a wide and deep net that will ensnare as many important perpetrators as possible. The many sordid things that happen while casting this net are among the costs of going after victimless crimes.

Victimless crimes, in summary, invite graft and corruption of all sorts and the suspension of civil liberties, because these are the only effective ways of combating this species of "crime." □

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APRIL 2002

Phony Food Crisis

by Jim Peron

Green icon Paul Ehrlich is widely known for his absurdly inaccurate projections regarding population and food. Rarely does a doomsday projection pass by without his embracing it. But most of his previous false claims are forgotten, or ignored, by the anti-capitalist coalition of today.

After all, Ehrlich made those claims in 1968, and that was a long time ago. But in 1990 he published *The Population Explosion,* a sequel to his first bestseller.[1] Yet again time has proven that Ehrlich's premises, on which his projections are based, are severely flawed. If an excess of three decades worth of statistics contrary to his theories do not dent his reputation, then Ehrlich deserves the title Teflon Prophet.

It is not the facts that compel Ehrlich's supporters as much as a fanatical adherence to his solutions: global central economic planning more ambitious than anything Marx ever dreamed of. Ehrlich says he "can't really see any truly insuperable barriers to reorganizing our society so that virtually everyone could lead a more pleasant, productive, satisfying life."[2] As he sees it, our choice is to abandon the market for an "orderly, planned way to a sustainable human life-support system or to be brutally forced into that shift by nature."[3] When he wrote so wistfully about "reorganizing our society" did he envision himself as one of the reorganizers?

Ehrlich recognizes that reorganization would mean "giving up many things that we now consider to be essential freedoms." While the costs would be great, so would the supposed benefits, which include "avoiding the total collapse of civilization and the disappearance of the United States as we know it."[4] Ehrlich is serious, and he's taken seriously by the anti-capitalist coalition. His perceived sainthood rests not on acumen or accuracy, but on the fact that the solutions he offers are ideologically in tune with his supporters.

The most recent major study to disprove the theories of Ehrlich came from the International Food Policy Research Institute (IFPRI). In its book *Global Food Projections to 2020*, the IFPRI looks back at the last 30 years of world food production—coincidentally the period since the publication of Ehrlich's first book. With the advantage of hindsight the Institute finds "that most regions have made substantial inroads against poverty and averted widespread famine in recent years."[5] The result has been a significant drop in the numbers of malnourished children. In high-risk developing countries malnutrition rates declined from "an aggregate rate of more than 46 percent in 1970 to 31 percent in 1997." That translates "into an absolute decline of 20 million malnourished children since 1967."[6]

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In 1990 Ehrlich had a very different view of Latin America. He lamented: "Since 1981, per-capita food production has also been lagging" there and that "population growth is already outstripping food production." Yet the IFPRI says that per capita cereal production increased from 225.3 kilograms in 1967 to 253.4 kilograms in 1997. During the period of 1990–1997 cereal production was growing at an annual rate averaging 1.9 percent, compared to a population growth rate of 1.7 percent.[7] Ehrlich's book was already wrong by the time it was printed: per capita food production, instead of lagging, grew by 11 percent over the next decade and cereal production increased faster than the population.

What the IFPRI has to say is good news all around, but more so for the developing countries. Instead of heading toward global famine, food supplies are increasing for the vast majority of the world's population. The IFPRI found:

- "caloric availability per capita rose in developing countries between the 1960s and the early 1990s by 400 kilocalories, reaching nearly 2,700 kilocalories per day by 1997";[8]
- per capita cereal production, from 1967 to 1997, "rose substantially";[9]
- per capita gains in cereal production "rose from 176 kilograms in 1967 to 226 kilograms in 1997, an increase of 28 percent."[10]

No Malthusian Crisis

The IFPRI is not alone in its conclusions. Tim Dyson, professor of population studies at the London School of Economics, wrote in the *British Medical Journal* that "a global malthusian crisis is unlikely to occur during the next few decades."[11] Dyson surveyed the various regions of the world and found a healthy scenario regarding food and population. He said that famines on the Indian subcontinent "will be things of the past" provided the region remains politically stable. In China he found "no cause for alarm," and both "Latin America and the Middle East have a record of progress in feeding their people and this is likely to continue."[12]

Ehrlich, who projected massive famines in his first book, ignored his original projections in his second book. Instead of admitting he was wrong he wrote: "Of course, [as if he knew this all along] food production worldwide has continued to increase somewhat faster than the population for the last four decades." But while some people believe this will continue for the foreseeable future, he says, "all signs point in the opposite direction."[13]

Dyson wrote that the trend, instead of reversing, has continued unabated: "Food production should be able to keep up with the growth in world population that is projected to occur over the next 25 years. An important reason for this is that the worldwide growth in cereal yield shows no sign of slowing down."[14]

Data from the U.N. Food and Agricultural Organization (FAO) shows worldwide cereal yields to have increased from just over one ton of cereal per hectare in the early 1950s to about 3 tons by the late 1990s.[15] And worldwide averages are significantly below those of the developed world, implying room for a great deal of growth.

Areas that Ehrlich once said were hopeless are today feeding their own people. In his 1990 book Ehrlich claimed that food production in India, which had increased contrary to his prior warnings, had finally "lost momentum." But the IFPRI data shows Ehrlich to be inaccurate yet again. Instead of losing momentum, rice production in India grew from 3.7 metric tons per hectare in 1990 to 4.2 in 1997. In addition, wheat production increased from 2.2 tons to 2.6, and maize increased from 1.5 tons to 1.7 tons.[16] India, which was importing over 9 million metric tons (mmt) of cereals in 1967 was exporting almost 2 mmt by 1997.

Ehrlich had even less hope for the entire South Asia region. Yet the Institute's data show that its food production increased throughout the '90s and surpassed India's in percentage terms. In 1990 Erhlich said Vietnam, once "a rich food exporting region," was suffering from ecological destruction.[17]

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In 1967 Vietnam imported 1.5 mmt of cereal. By 1982 imports were down to 0.6 million, and when Ehrlich's book was released, Vietnam was *exporting* 1.2 mmt. By 1997 exports were up to 2.8 mmt.[18]

There are two fundamental reasons that Ehrlich has consistently, and substantially, erred with his projections. All his calculations are based on two false factors: he assumes food production must decrease while population growth rates remain steady. As we've seen, food production has continued to increase for the three decades since he first sounded his warnings. But Ehrlich felt such declines were inevitable and said the "tragedy" would be compounded by the fact "that the world population seems committed to a growth rate of closer to 2 percent for the next few decades."[19] While "few" is indeterminate, it is safe to assume he meant more than a couple; say, 30 years—until 2020.

But instead of remaining near 2 percent population growth rates had already declined by the time Ehrlich wrote his book. Population growth peaked around 1970 at 2.1 per cent. By 1980 it was down to 1.73 percent, and when Ehrlich's book was published it had dropped to 1.7 percent. In 1995 the Institute for Demographic Studies said the rate had declined even further, to 1.5 percent.[20] And it continued to plummet so that by 2000, at 1.3 percent, it was closer to 1 percent than to Ehrlich's projected 2 percent. Even the United Nations, which usually overestimates population growth, says that growth levels by 2015 will be down to 1.03 percent.[21]

Point of Agreement

There is one area on which Ehrlich, Dyson, and the Institute all agree: sub-Saharan Africa. There cereal-production rates declined almost from the day the colonial powers pulled out until today. In 1967 per capita cereal production was 127.9 kilograms but by 1997 it had dropped to 124.6 kilograms. This production rate is only one-fifth that of the developed countries and is about half the average for the developing countries. In spite of being the least populated continent, perhaps partially because of it, Africa's per capita food production is significantly lower than that of South Asia, the next poorest region in the world.[22]

In August 2000 the FAO warned that 17 countries faced severe food shortages, all in sub-Saharan Africa.[23] But what is clear is that in the majority of these cases, 12 countries by my count, political problems and war are the main cause of food shortages.

Almost all the "basket cases" of the world from 30 years ago are now well on their way to feeding themselves, but not Africa. That raises the question why. If we look at the successes we see some dramatic changes. From 1958 to 1962 an estimated 30 million Chinese starved to death under an artificial famine created by socialist economic and agricultural policies.[24] Market reforms were instituted after Mao's death, and food suddenly became more plentiful. The late political scientist David Osterfeld noted that after reforms, food production increased by 40 percent.[25] Since the early '90s, when Osterfeld wrote his book, cereal production in China has increased by a further 17 percent.[26] In addition, market reforms have vastly increased the wealth of nonfarmers in China, making it relatively easy for them to afford to import the surpluses of food being produced in much of the rest of the world.

India, which Ehrlich had written off, has also turned into a food exporter. Again market reforms predated the rise in production. The late Julian Simon noted in *Atlantic Monthly* that "Most price controls were lifted, and price supports were substituted for controls. Indian farmers had a greater incentive to produce more, so they did. They increased production by planting more crops a year, on more land, and by improving the land they had. They also introduced higher-yield strains and improved fertilizers."[27] Since Simon wrote those words cereal production in India has increased 50 percent further.[28]

But Africa has continued down the road of state intervention. What market reforms have been instituted have been half-measures and often repealed later. In many cases, such

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as Zimbabwe, the government has waged war on private markets intentionally, undermining private property rights and the incentives to produce. Reforms in Africa have been so half-hearted that the IFPRI produced a paper on the subject titled The *Road Half Traveled.*[29]

Throughout Africa state marketing boards often hold a monopoly on critical foodstuffs. Frequently these boards will pay farmers below-market rates and then sell the produce on the world market with all profits going to the government or to individuals in the government. It remains true that Africa is a bastion of state control over agriculture. But it is not enough that the state withdraw from agricultural matters. The rule of law and the sovereignty of individual property rights must be upheld. It is difficult for any business, let alone farmers, to plan for the future if they cannot enter into secure contracts or if they have no legal claim to the property they use.

Other factors that undermine agricultural production include the periodic influx of "food aid" to Africa, which destroys local production. Often such aid is given to the central government and is used to expand state activities that attract human capital from the private sector.

Paradoxically, one factor in Africa's lack of development may be that the continent, on the whole, is underpopulated. Agricultural production needs to get to markets, and for that to happen, infrastructure is needed. But infrastructure cannot be built if the numbers of people it will serve are few. One simply does not build multimillion dollar highways to villages of 200 people.

The battle to feed humanity is not over. And while the fight is still being waged, it does appear that, contrary to Ehrlich, humanity is winning. Throughout the world, market forces have vastly expanded the ability of mankind to feed itself. And as a result, food per capita has continued to grow for the last few decades. Nations that only a few decades ago were pronounced hopeless now produce surpluses because of market reforms. Endemic starvation is essentially limited to one corner of the world where markets are not embraced and where private property is not secure. Of course, this does not stop the anti-capitalist coalition from blaming capitalism. Nor does it prevent the coalition from suggesting new forms of socialism, on a global scale, as the solution.

But the evidence, which grows daily, indicates that the fight over food is more illusionary than real. Substantial progress is intentionally ignored and starving children are used as propaganda to persuade the world to adopt global economic planning. A phony crisis is being invented in the hope that it will persuade people to adopt a counterfeit solution. □

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11. Tim Dyson, "Prospects for Feeding the World," *British Medical Journal,* October 9, 1999, p. 988.
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IDEAS ON LIBERTY
APRIL 2002

Tips to Hike Your Taxes

Taxes are due and refunds are flowing. What's a good tax hiker to do? Keep his ill-gotten gains or give them back? The *New York Times Magazine* features a column titled "The Ethicist." It is basically modern liberalism meets Ann Landers. As rebate checks were being cut, Ms. Tamar Kotelchuck, a resident of Somerville, Massachusetts, wrote in to inquire: "I strongly oppose the tax cut recently passed by Congress. But I'm not wealthy, and I can use the refund check the I.R.S. is sending out. Is accepting it a passive endorsement of a policy I believe will damage the country, particularly low-income individuals? Must I, in protest, refuse to use the money for personal gain, perhaps by donating it to charity?"

The columnist naturally said no. Accepting the rebate doesn't mean endorsement of the tax code, any more than paying one's taxes does so: "Obeying the tax laws is simply a civic obligation."

The columnist does suggest giving away the cash as a protest. It could help the poor or fund "political candidates who would unseat those who backed the tax bill." Naturally, one should also write political leaders to protest. But The Ethicist's bottom line was simple—"it is not dishonorable to keep your rebate."

How . . . liberal. Why should anyone have to live with the consequences of his opinions? It's fine to be against tax cuts—and to cash your rebate check or, presumably, collect your refund.

In fact, people who don't believe in tax cuts should give back the money. Just write a check or send a money order to Uncle Sam.

If tax hikers want to be a bit fancier, they could help pay off the national debt by following the lead of Senator Robert Byrd, the big-spending porker who does so much to create the pressure for high taxes, and tag it for Gifts to Reduce the Public Debt. Anyone doing so, of course, should not take a deduction on his taxes the next year.

But tax enthusiasts should do more. They should lead by hiking their own taxes. If you think taxes are too low, then prove it by raising your own.

It's really quite simple. Pick up the standard 1040 form. Although it might seem a little strange to declare more income than appears on the W-2, that should pose little obstacle to doing what is right.

Add some extra interest. Make up some sums from a couple of banks. Create names for nonexistent ones. Do the same for ordinary dividends. The IRS won't mind.

Add some alimony. Toss in some pension payments, if you're retired. Put down a little unemployment compensation. There's even a line for other income. This includes prizes and awards (imagine being honored for being an insufferable social engineer and friend of overbearing government), gambling winnings (don't worry—the IRS isn't going to work to disprove that you won), jury duty fees (be reasonable, since you don't

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get much for such service), state tuition benefits (so what if you have no kids?), and reimbursements for expenses previously deducted (who will know any better?).

Create some business income. Indeed, a would-be tax-hiker should get malicious pleasure out of posing as a greedy capitalist.

File a schedule C or C-EZ, and toss in some imagined revenue. Keep the expenses to a minimum, since you wouldn't want to reduce too much the taxes due.

But inflating income is only the start. It's also important to cut the adjustments to income. Forget the IRA deduction—why should the government subsidize people who want to save for their own retirements? Same thing with the self-employed SEP, SIMPLE, and other retirement programs.

Forget the interest deduction for student loans—obviously a subsidy primarily for middle-income and wealthy students. No self-respecting "liberal" would take a deduction for a medical savings account: after all, the government should be providing all health care!

Ignore other deductions and credits. After all, people's earnings really belong to the government, so why cut its take?

Itemized Deductions

Most important, forget all of those ridiculous itemized deductions. Spend a lot on health care? Just grin and bear it. Are your state and local taxes high? They should be. Why should that reduce your federal obligation?

Same with real estate taxes, which are usually financing the failing government school system. Then there's mortgage interest. But why should you get to deduct more money if you have a bigger, fancier, more expensive house?

No reason to take off charitable gifts, since that is obviously government's job. Casualty and theft losses don't warrant a deduction, since the perpetrator was probably a victim. Unreimbursed business expenses should go undeducted, since they helped you make money, a dishonorable act. Tax preparation fees—heck, the more you spend, the less you deserve to take anything off. And forget the other miscellaneous deductions. Actually, it would be simplest to take the standard deduction. Why should your misfortune or generosity be used as an excuse to starve poor old Uncle Sam? We know he needs the money more. There are also a host of credits that every good tax hiker should forgo. Drop the foreign tax credit and credits for child care and the elderly. Forget education, child, and adoption credits.

Now we come to figuring your tax. If your total isn't up to snuff—come on, don't be greedy!—add some other taxes. You might have to file an extra schedule or two, but go for it: self-employment, Social Security and Medicare taxes on tips, taxes on retirement plans and other accounts, advance earned income credit payments, and, one that should thrill every good "liberal," household employment taxes. For the latter, double the number of servants that you actually have.

If all of this doesn't increase your taxes enough, go back and inflate your income numbers a bit more. Or simply write Uncle Sam a check and say it's to pay off the national debt. In fact, Governor Mike Huckabee of Arkansas has established the "Tax Me More" Fund for any residents who want to pay more. Alas, so far it has had only minimal success: apparently people prefer to tax other people rather than themselves.

Anyone who thinks taxes are too low, objected to the minuscule Bush tax cut, or voted for Al Gore should hike his own taxes. The Ethicist to the contrary, people who want the rest of us to pay more should voluntarily pay more themselves. □

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IDEAS ON LIBERTY
APRIL 2002

But Is There Such a Thing as a Free Breakfast?

by Ralph Hood

Back in the mid-eighties I participated in a conference of small business owners. (Very small—my own multinational corporation consists of me, my wife, and a dog. The dog is part-time.) One workshop leader explained that we could no longer deduct 100 percent of business travel meals. Henceforth, we could only deduct 80 percent (that dropped quickly thereafter to 50 percent, where it remains to this day).

Since we are a traveling group, this new ruling was important to us. It meant that we could fly first class, stay in a four-star hotel, and ride the limo to and from the airport. All of that was 100 percent tax-deductible. If, however, we ate a cheeseburger at McDonald's, we could only deduct half of it.

According to media and press reports, this ruling would increase government income by a certain amount—an amount calculated by assuming that business would continue to spend on business meals exactly what they had spent in the past.

Ah, but a funny thing happened on the way to the restaurant. The market does react to any change in the fiscal environment, and that includes changes in taxes.

Almost immediately, hotels and motels began to advertise "free" breakfast with a room. It was not "free," of course, but it was included—hidden, you might say—in the price of the room.

Aha, said I. Because the price of the room is 100 percent deductible, this means that I am actually deducting 100 percent of my breakfast charges. That is a good deal for me, and I will do business with motels that engage in this practice.

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When business finds a way to provide the customer something that is worth more to the customer than it costs the business, that "something" will proliferate, and this was no exception. The free breakfast spread like gossip on a party line. At first it was just doughnuts and coffee, but competition forced improvement. Today I can get a full breakfast—often including a made-to-order omelet—just about anywhere.

Certainly no motel advertised the free breakfast as a way to avoid taxes, but we who spent the money knew. And we spent.

The inevitable came to pass. Somewhere in the offices of a motel chain, the powers that be said, "Hey, what else can we provide that is deductible if we spend the money but not normally deductible if the customer spends the money?" "Booze?" someone asked. Thus was born the "free" cocktail hour.

The free cocktail hour had an even bigger benefit for the customer on the expense account. Not only could the business traveler not deduct booze, but the boss wouldn't reimburse for it, either. But when booze is "free" the boss needn't even know about it.

Has this idea grown? Recently I checked into a moderately priced motel in Mississippi. In the lobby was a washtub filled with beer on ice. What, I asked, is the deal on the beer? That, I was told, is our redneck happy hour. Help yourself. It's free.

Where will this all end? I wonder.

In the meantime, do you suppose the government wonders what happened to all that money it was going to collect? □

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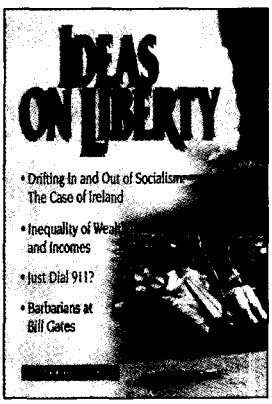
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APRIL 2002

The Failure of Keynesian Economics

by Steven Kates

That anyone can still believe Keynes's *General Theory* holds any answers to the world's economic problems is one of those sad facts that make one realize just how difficult it is to gain headway in the dismal science. An article on John Maynard Keynes in the *Washington Post* late last year, which argued that "Keynes's work on the Great Depression was remarkably relevant to the dilemma Bush and Greenspan face now," is a reminder of just why our economic difficulties seem to multiply rather than diminish.

That Alan Greenspan thinks of the *General Theory* as his font of economic knowledge only adds to the depressing quality of this article. There it said that "the Fed Chairman has been known to rise from his chair mid-conversation and read aloud relevant passages from that 65-year old book for visitors." It is anyway quite clear from the actions he takes that Greenspan does think this way, but it is only one more indication of just how deeply ingrained Keynesian theory has unfortunately become.

Even the simplest distinction between public spending and tax reductions seems too difficult. It is all stimulus, and in the structure of a Keynesian model it all comes to the same thing. Yet the two could not be more different. Tax cuts move expenditure out of the hands of the public sector and, so long as the budget remains in surplus, adds to the momentum of the economy.

In contrast, unproductive public spending pulls an economy down with a relentlessness apparently impossible for any Keynesian economist to fathom. Such public spending, especially if it takes budgets into deficit, inevitably makes matters worse.

Keynes's only interest in writing the *General Theory* was to encourage greater levels of public spending. He had been an advocate of higher spending for a period going back more than a decade by the time his magnum opus was finally published in 1936. There is nothing Keynesian about tax cuts. Tax cuts were never on Keynes's agenda, and to infer that lowering taxation is in any way a "Keynesian" approach is an anachronism read backwards into what might have been said instead of what actually was said.

And we have an example of such Keynesian expenditure policy before us, if anyone would care to look. Japan has suffered under the effects of Keynesian demand stimulation for almost a decade now. The effect has been to take the relatively mild slowdown experienced internationally at the beginning of the 1990s and turn it into an ongoing, ever-deepening recession that shows not the slightest sign of retreat.

Japan is the paramount example of what happens through public-sector spending. There have been no end of pseudo-explana-

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tions for what has been an unexampled disaster. The rise in public-sector spending and the rise in the level of public debt has left the Japanese economy floundering. There will be no escape until the Japanese recognize the nature of the problem and bring their budget back into surplus and start to wind the level of public spending back.

Such a profound demonstration of the incapacity of Keynesian theory to provide useful policy guidance ought to have kindled somewhere a recognition that the theories now propagated in one textbook after another leave something to be desired. That this is not so only presents yet one more instance of how beliefs will persist even in the face of no evidence that they describe reality.

To find that the head of the Federal Reserve in the United States is a devotee of Keynes should be a further example of how poorly based monetary policy is. That we are now in serious risk of a global recession is largely related to the decisions of the Fed over the past two years. Other central banks throughout the developed world have followed the same processes, which have led to the same sorry outcome.

It is the modern Keynesian model that provides the theoretical advice that leads economies one after the other to adopt policies that do not work. We can keep applying these theories year in and year out if we like, but if we do, the hope must be that at some stage it will be recognized these policies continuously lead us into outcomes entirely different from those that were supposed to occur and that alternatives to the current mismanagement of economies everywhere are possible and need to be put in place. □

OOPS! We Can't Find the Government!

Princess Navina has spent her young life studying the governments of other lands, but in Voluntaria she draws a blank. Reacting against their history of past violence, the people of Voluntaria have sworn off using force to manage society. As a result, they have none of the political fixtures of the modern world: no taxation, no regulation, no laws... and no lawyers!

How do they solve the problems of daily life without depending on politicians? The solution is so simple one wonders why no one has thought of it before.

Political scientist Jim Payne, the creator of the Princess Navina series, has written fourteen books on topics ranging from the Peruvian labor movement to the U. S. Congress. "After 41 years of research," he says, "I think I've figured out what's wrong with government and what we can do about it. I've put the answer in fictional form to engage youthful minds without distressing elderly ones."

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Stimulate the Catallaxy?

Last fall and winter's brouhaha over the so-called economic stimulus package got me thinking about how far off target most people are when they talk about "the economy." To hear the politicians and commentators tell it, the economy is a big machine located somewhere in Washington, D.C. That machine requires a skilled operator, and elections are more or less occasions for choosing that operator. Sometimes the machine slows down and needs a stimulus—perhaps an infusion of cheap credit, or government spending, or even tax cuts. At other times it risks overheating and needs to be cooled down—perhaps higher interest rates or a tax increase.

This misapprehension is helped along by a good part of the economics profession, many of whose members see themselves as the aspiring mechanics.

To state the obvious: an economy isn't a machine. The term is an abstraction, even a metaphor, and we always get ourselves into trouble by taking metaphors literally. As F.A. Hayek was fond of pointing out, the word "economy" has its roots in the Greek word for household. (Remember those home-economics courses?) Even though a household is composed of individuals, it can usefully be thought of as a unit in the sense that its financial affairs are largely arranged around a single set of ends. (There's a limit, of course, to how far that can be taken.) We go astray the moment we apply this description to larger collections of people. As soon as we begin talking about the city's, state's, or nation's economy we have severed our moorings from reality because those groupings do not have a single set of ends.

That is why Hayek preferred the word "catallaxy" to "economy"; it comes from the Greek word for "exchange." A catallaxy is "not a single economy but a network of many interlaced economies" (*Law, Legislation, and Liberty*, volume 2).

Another economist and Nobel laureate who is sensitive to this matter is James Buchanan, one of the pillars of the Public Choice school of political economy. His concerns are collected in the Liberty Fund volume *What Should Economists Do?* In the title essay (originally an address given in 1963) Buchanan identifies what can only be described as the central collectivist premise of most economics, namely: some entity larger than the individual—usually the nation—must allocate scarce resources. Many heavyweights in twentieth-century economics—not just socialists—regrettably let that premise stand, Buchanan points out: Lionel Robbins never identified the allocator; Frank Knight attributed economic activity to the "social organization"; and even Milton Friedman held that (Buchanan quoting) "economics is the study of how a particular society solves its economic problem." Not that those men did not realize that groups consist of individuals. But as economists, Buchanan fears, they too readily left the impression that economics deals with a collective's solution to an allocation

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problem. It's a short step from a collective to a machine.

That's not how Buchanan sees economics. In contrast to the view that the economy is a "*means* of accomplishing the basic economic functions that must be carried out in any society," he believes "The market or market organization is not a *means* toward the accomplishment of anything. It is, instead, the institutional embodiment of the voluntary exchange processes that are entered into by individuals in their several capacities." He adds: "This is all that there is to it."

Contemplate how different this conception of economy is from the general impression. As Buchanan writes, "Individuals are observed to cooperate with one another, to reach agreements, to trade. The network of relationships that emerges or evolves out of this trading process, the institutional framework, is called 'the market.' It is a setting, an arena, in which we, as economists, as theorists (as onlookers), observe men attempting to accomplish their own purposes, whatever these may be."

In such a conception of economy, where is there room for words like "overheated," "cooled down," and "stimulus"?

Economic Subjectivism

In another essay in his book, "General Implications of Subjectivism in Economics," Buchanan flaunts his affinity with the Austrian school of Hayek and Ludwig von Mises. Here he writes, "The principle that exposure to economics *should* convey is that of the spontaneous coordination [of individuals] which the market achieves. The central principle of economics is not the economizing process." And he warns that economics will "become applied mathematics or engineering" if its practitioners think it is.

Subjectivism in economics is the recognition that economic phenomena emerge from what human beings believe, think, and do, and not from data they may know nothing about or rarefied statistical aggregates and averages. Subjectivism is good insurance against seeing the economy as a machine and the government as its vital attendant. Or as Buchanan puts it, "to the extent that subjectivism tends to concentrate attention on the interaction among persons and away from the 'economic problem,' an understanding of the principle of order is facilitated rather than retarded."

Subjectivism can be seen most starkly in the notion of costs. Much economic theorizing (and bureaucratic meddling) regard costs as objective. That perspective encourages social engineering. After all, if those who would move us about the national chessboard had to confess that they cannot know the costs of their maneuverings, they would have a harder time justifying their power.

But they *cannot* know those costs. "The costs that influence 'choice' are purely subjective and these exist only within the mind of the decision-maker," Buchanan writes. When one confronts two alternatives, one is really confronting two mental projections of what the world *might* be like in the future. Either or both projections could be wrong. At best they are educated guesses. And since one of those imagined worlds will *never* be realized, the chooser will never know if he was wrong about that one. But that world forgone is the true cost of the alternative chosen because that's what the chooser gives up to achieve it. We often think of costs as money paid. But while money is indispensable for making calculations, it does not express the true opportunity cost of a choice. No one wants money for its own sake, but only for what it can buy now or later.

An economy is *people* cooperating to better their situations. Thus a "stimulus package" is fundamentally objectionable not because of anything that may be in the bill. (Tax cuts are always welcome.) It is objectionable because of its rationale. Government should endeavor to stay out of the way of productive activity at all times, not just when various numbers are deemed too high or low. □

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FEE TODAY

www.FEEnationalconvention.org April 2002

My Five Favorite Libertarian Books

By Milton Friedman

President's Introduction:

Nobel Prize-winning economist Milton Friedman has been a supporter of FEE since its inception in 1946. He and George Stigler coauthored one of FEE's first monographs, "Roofs or Ceilings?," making the case for lifting rent controls on New York housing after World War II.

Milton and I have been friends for many years, and when I asked him to write an article for us about his favorite libertarian books, he gladly agreed. This is his first original essay for us since 1946. Enjoy! —*Mark Skousen*

I am one of the many millions of beneficiaries of Andrew Carnegie's public libraries. The one in the small town in which I grew up (Rahway, New Jersey) fed my early interest in books, providing a range of reading matter that was available in no other way, since there were few books at home. That started me on a lifelong addiction, and, as financial conditions permitted, to homes filled with books.

I have been asked what was my first introduction to libertarian thought. I find that hard to answer, involving as it does looking back nearly three-quarters of a century. But if I had to make a guess, I would conjecture that it was John Stuart Mill's *Essay on Liberty*, which I must have read in my first or second year of college.

Herewith are my five favorite libertarian books.

Adam Smith's *The Wealth of Nations*

First, Adam Smith's *The Wealth of Nations*. This book, published in 1776, founded economic science. It introduced the notion of the "invisible hand" and explained how free trade could produce cooperation among people in achieving economic productivity. It remains a book well worth reading, full of wonderful comments to warm a libertarian's heart.

Mill's *Essay on Liberty*

Second, John Stuart Mill's *Essay on Liberty*. The most concise and clearest statement of the fundamental libertarian principle, "The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. . . ."

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Dicey's *Lectures on Law and Public Opinion*

Third, A. V. Dicey's *Lectures on the Relation between Law and Public Opinion in England during the Nineteenth Century*. A remarkable work initially presented as lectures at Harvard in the 1890s and reprinted with a new and very important preface in 1914. Dicey saw clearly the ultimate outcome of initial social welfare measures in the first decade of the twentieth century. He essentially predicted the emergence of the full-fledged welfare state. More than a century ago, Dicey explained why the rhetoric in terms of the general interest is so persuasive: "The beneficial effect of state intervention, especially in the form of legislation, is direct, immediate, and so to speak, visible while its evil effects are gradual and indirect and lying out of sight. . . . Hence the majority of mankind must almost of necessity look with undue favor upon governmental intervention."

Hayek's *The Road to Serfdom*

Fourth, F. A. Hayek's *The Road to Serfdom*. This profound book was highly influential in the immediate post-World War II period when it was a lone voice presenting the case for libertarian philosophy and pointing out the consequences of an increase in the role of the state. It was certainly one of the most effective works leading people to take libertarian principles seriously.

My Own Favorite: *Capitalism and Freedom* OR *Free to Choose*?

Fifth, I have been asked to include one of my own books. I am torn between *Capitalism and Freedom*, published in 1962 with the assistance of Rose D. Friedman, and *Free to Choose*, published in 1980 jointly with Rose D. Friedman. Both present the same philosophy and cover many of the same topics. *Capitalism and Freedom* is more succinct, scholarly, and abstract; it was a product of a series of lectures that I gave in June 1956 at a conference at Wabash College directed by John Van Sickle and Benjamin Rogge [a long-time FEE trustee] and sponsored by the Volker Foundation.

Rose and Milton Friedman

Free to Choose, based on the television program of the same title, is more popular, less abstract, more concrete. It presents a fuller development of the philosophy that permeates both books; it has more nuts and bolts, less theoretical framework. The TV program on which *Free to Choose* is based is available in videocassette and, if I were to consider it as a book, would clearly be my favorite.

* * *

Let me add one final thought. I congratulate FEE on having persuaded Mark Skousen to serve as its president. He is an able, imaginative, and energetic economist, thoroughly committed to the basic principles of freedom that FEE has so persistently and effectively upheld. I urge all of you to join me in wishing FEE success in its long-standing fight for freedom.

Cordially,

Milton Friedman

Postscript from Mark Skousen:
Thank you, Milton.

All five (actually six) of Milton Friedman's favorites are available from Laissez Faire Books, 800-326-0996, www.laissezfairebooks.com.

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April Activity Update

Dinesh D'Souza and Greg Rehmke Lead Student Outreach Programs

Last month Dinesh D'Souza, our FEE spokesman on campus, spoke before large student audiences at the University of Texas (Austin), Texas Tech, and other colleges throughout the state. Greg Rehmke, our director of student outreach programs, joined him and together they introduced FEE to hundreds of students eager to know about liberty and free-market economics. Another series of speaking engagements is planned for the University of California at Berkeley in mid-April (for updates, go to www.FEE.org).

FEE has recently presented programs for top prep schools like Choate Rosemary Hall and Hotchkiss, for inner-city schools like Taft High School in the South Bronx, and for homeschool families here at FEE and around the country. Over 300 students and parents have attended FEE Homeschool Workshops in Pennsylvania, Ohio, Michigan, California, Hawaii, and Washington State. Also, FEE's books and publications will be on display at homeschool curriculum fairs across the country in the coming months.

In addition, I have been visiting college campuses: Walsh College in Michigan, Centre College in Kentucky, Washington State University, and Idaho State University, speaking on free-market principles. College and high school outreach will continue to be a high priority for us.

FEE Hosts Two Weekend Seminars—with More to Come

We are proceeding full steam ahead here at FEE headquarters. In March, we hosted two wonderful events: a conference for homeschoolers led by Greg Rehmke, and the Krogdahl Memorial Lecture and Undergraduate Seminar with historian Burt Folsom. Burt spoke before a packed house of 80 attendees on Friday evening, March 8, followed by a weekend student seminar on "Rags to Riches in America."

We are also planning evening lectures the second Friday of each month, as well as four weeklong seminars for students and teachers this summer (dates and descriptions can be found at www.FEE.org).

Check Out Our New Website, www.FEEnews.org

I am happy to announce our brand-new FEE daily news service, prepared by Ron Holland. Ron scours all the major news sources, including liberty-oriented sites, and highlights them daily on www.FEEnews.org. I find it endlessly fascinating—and it has already won an award from Enter Stage Right. If you like what you see, please e-mail Ron and thank him: rholland@fee.org.

If you haven't already done so, please check out our revamped www.FEE.org website. You'll be impressed. You even get to vote on your favorite articles from *Ideas on Liberty*. (You will be surprised not only by which articles rated the best, but also how often the rankings change.) As part of our service to you, we are also posting the entire contents of each issue of *Ideas on Liberty* on our website, making it easy for you to share favorite articles with friends. Congratulations to Peter Cox (pcox@fee.org) and Valerie and James Durham of ION1.COM (vdurham@ion1.com) for their tremendous efforts.

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New Speakers Added . . . Over 500 Expected at FEE National Convention

Our first FEE National Convention, scheduled for May 3–5 in Las Vegas, is about to begin and we are tickled pink by the overwhelming response. Judging from advance registrations arriving daily, we expect over 500 attendees at this historic event. We just added some new big-name speakers, including . . .

—Michael A. Ledeen, noted foreign political analyst at AEI, on "The Brilliance of Alexis de Tocqueville and America's Fatal Weakness."

—Gerald P. O'Driscoll, Jr., senior fellow at Heritage Foundation on "The World Map of Economic Freedom—a Startling Revelation."

—Sheldon Jacobs, editor of the top-ranked *No Load Fund Letter*, on "Can You Beat the Market in Today's Tough Markets?"

—Bill Bonner, publisher and editor of the highly acclaimed DailyReckoning.com, on "Why I'm Upbeat about a Downbeat Economy."

—Gary Alexander, managing editor at Phillips Publishing, on "Jazz and Opera for Liberty Lovers."

—Special panels on privacy, feminism, Austrian economics for investors, terrorism, and libertarian film-making.

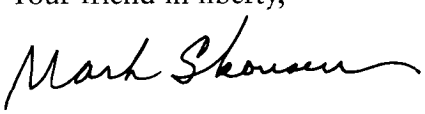
The full schedule is now posted on www.FEEnationalconvention.org. Take a look and plan your Las Vegas weekend today!

Remember, this is your last chance to sign up for this intellectual feast. People will be talking about it for years.

Only $225 to register, which includes the FEE Course on Sound Money & Free Markets, the Saturday night banquet, the cocktail reception and Friday night talk by actor Ben Stein, all the sessions, and entrance to the exhibit hall. Register online at www.FEEnationalconvention.org—or contact Tami Holland at tholland@fee.org, 888-565-8779, or Kathy Walsh at kwalsh@fee.org, 800-960-4FEE, ext. 209. I suggest you act right away. Bally's and Paris Resorts are already sold out, but we have arranged other accommodations. Tami Holland has the details.

As you can see from the above, the FEE staff is hard at work in the cause of liberty, but we couldn't accomplish anything without the support of FEE readers and donors. Thank you! If you haven't already done so, could you take a minute and make a contribution to this good cause? Remember our goal: Double your contribution in 2002! A gift of $100 makes you a friend of FEE!

Your friend in liberty,



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IDEAS ON LIBERTY
APRIL 2002

E.G. West: Champion of the Market for Education

by Charles K. Rowley

(Editor's Note: Professor E. G. West, the distinguished economist and historian of education, died last October 6 at the age of 79. His most recent articles in this magazine, "The Spread of Education Before Compulsion: Britain and America in the Nineteenth Century" and "Classical Libertarian Compromises on State Education," appeared in the July and October 1996 issues, respectively. What follows is an appreciation of his long career by a friend and colleague.)

Eddie West was born on February 27, 1922, at Goldthorpe in Yorkshire, England, where his father ran the local cinema. The family later moved to Exeter in Devon, where Eddie attended Hele's School. After leaving school during the Second World War, he worked for the Ministry of Transport in Exeter until 1946, when he entered University College, Exeter, successfully completing a bachelor of science degree in economics in 1948. He then spent three years as a schoolteacher in Staffordshire before becoming a lecturer in economics at Guildford College of Technology in 1951. In 1956, he moved to the Oxford College of Technology as senior lecturer in economics. To strengthen his academic credentials, Eddie enrolled for the degree of master of science as an external student at the University of London, graduating in 1959.

In 1962, at age 40, he was appointed to a lectureship in economics at the University of Newcastle upon Tyne by Stanley Dennison, one of only a handful of senior free-market economists in Britain at that time. This was his first university appointment. Evidently, he had hoed a very long and difficult row in order to achieve his lifetime ambition from relatively modest beginnings.

Very quickly, West began to offer insights into the enduring relevance of free-market economics for the wealth of nations. Now enrolled at the University of London as an external doctoral student under the supervision of Lionel Robbins, he commenced work on his magnum opus on the relationship between education and the state, completing the degree successfully in 1964. His first scholarly article, published in 1964 in the *Journal of Political Economy*, analyzing the classical economic dispute on the relevant roles of the public and the private sectors in education caught the eye of Milton Friedman. Within a year West was off to the University of Chicago as a postdoctoral fellow, on his way, we now know, to international recognition as a major contributor to classical-liberal political economy.

His one-year stay at Chicago coincided with the apogee of the Chicago School, focused on the fruitful tension provided by the interactions between Milton Friedman and Harry Johnson over issues of monetary theory and the emerging scholarship of the

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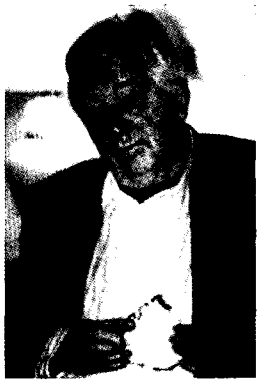
Chicago School in social economics (Gary Becker), transaction-cost economics (Harold Demsetz), the economics of regulation (George Stigler), and law and economics (Ronald Coase). This visit opened avenues of intellectual exploration that had been entirely closed down by the xenophobic Keynesianism that then still dominated a backward economics profession in the United Kingdom. It all but guaranteed that West's return to Britain in 1966 as reader in economics at the trendy leftist University of Kent at Canterbury would be extremely controversial.

I first encountered Eddie West in 1966 in Canterbury, where we occupied adjoining offices in Eliot College. Although I fortunately had avoided the extremes of Keynesian economics, and had the benefit as an undergraduate in reading the writings of Milton Friedman, George Stigler, and Kenneth Boulding rather than those of Paul Samuelson, Alvin Hansen, and Joan Robinson, I was not fully conversant at that time with the exciting new scholarship in monetary economics, law and economics, and Public Choice that had been initiated at the universities of Chicago and Virginia. In a matter of weeks the scales had fallen from my eyes as Eddie educated me in the new political economy that would become an abiding part of my own scholarship.

Seminal Book

West's return to England was rendered particularly controversial because his seminal book *Education and the State* had been published in 1965 by the Institute of Economic Affairs (IEA). Prior to this book, the conventional view of nineteenth- and mid-twentieth-century education in Britain was that of the Hammonds, the Webbs, and the Coles, to the effect that democracy and education were inescapable partners. A free society could not be orderly unless it was literate. A self-governing society could not progress unless it was educated. Private schooling could not provide the quantity and quality of education required by these goals. Therefore, universal, compulsory and "free" state-provided education was necessary. The Forster Act of 1870, which purported to initiate such an education system, and the English Education Act of 1944, which consolidated it, therefore, were both entirely justified.



COURTESY OF THE ATLANTIC INSTITUTE FOR MARKET STUDIES

E.G. West

By a process of meticulous and original research, West demonstrated that this conventional wisdom was historically unsupported. He chronicled the significant growth of literacy in Britain during the first third of the nineteenth century and the hostile reactions of successive governments that obstructed the development of the free press by fiscal and legal sanctions. By 1838, 87 percent of children could read and 53 percent could write at least to some extent. These statistics, certainly for the ability to read, compare favorably with those for the United States at the turn of the 21st century if the requirement is literacy in the English language.

Prior to 1870 education in England and Wales was provided primarily through private and parochial church schools financed by fee-paying parents and by church philanthropy. This education was supplemented by the Sunday schools and by a wide range of private institutes and literary and philosophic societies. The principle of state subsidies to schools had been accepted only in 1833, by which time the above-mentioned high levels of literacy had already been achieved. "It seems reasonable, therefore, to infer that when the government made its debut in education in 1833, mainly in the role of subsidizer it was as if it jumped into the saddle of a horse that was already galloping," West wrote.[1]

There is no evidence that the Forster Act accelerated the rate of growth of education services, as measured in terms of school attendance or literacy, although it effectively initiated the displacement of private and parochial schools by state alternatives.

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According to West, the percentage of national income spent on schooling children under 11 years of age in 1833 was approximately the same as in 1965.

The left-wing intelligentsia was agitated by West's challenge to the historical record. It was infuriated by his willingness to countenance the complete dismantling of compulsory, "free" and state-provided schooling in Britain and to allow parents a free choice, in terms of willingness to pay, whether or not, and how to educate their children. This radical reaction provoked *The New Statesman*, then under the far-left editorship of Paul Johnson, to libel West, claiming essentially, that he was a fascist.

The IEA sued for libel, and on July 22, 1966, *The New Statesman* published a minimal apology. Forced to go further or face High Court sanctions, the magazine apologized in more detail on July 26 for what it now described as its "unjustified attack" on West and the IEA. The review, it now admitted, gave a "totally misleading impression of West's arguments." It is noteworthy that Johnson, who later converted from near-Marxism to Thatcherism and who subsequently wrote about the arrogance of left-leaning intellectuals,[2] has never acknowledged his own unjustified left-leaning intellectual arrogance with respect to *Education and the State*.

In any event, *Education and the State* has been a huge success, constituting as it does "the single most outstanding intellectual challenge to public education."[3] It was republished with additions in 1970 and once again in 1994 in a beautiful, revised, and expanded version by Liberty Fund. It is Eddie West's finest work. Its arguments are as convincing now as they were 35 years ago: "It is today, as it was in 1965, an appropriate point of departure for thinking about the future justification for government schools, compulsory education, and a host of other issues pertaining to educational reform."[4] Together with West's companion volume, *Education and the Industrial Revolution*,[5] it provides a devastating refutation of all preceding scholarship from the late nineteenth century onwards that attempted to rationalize public education provision as a necessary condition for economic progress.

Eddie West was aware that any dismantling of public education provision, despite the tax reductions that would become available, might leave the children of the poor in a disadvantaged position regarding access to education. For this reason, he became a forceful advocate of public-finance subsidies in the form of education vouchers that would enable parents to purchase private education for their children at schools of their choice. A sequence of papers developed arguments in favor of the voucher proposal and countered the paternalistic arguments of critics who had no respect for the ability of parents to secure the education interests of their offspring. Voucher proposals remain a serious policy option in the United States at this time, although the federal government has never mustered the courage to ignore the sustained lobbying of the teachers unions in favor of continued public provision.

The political economy of education provision would remain a central feature of West's research agenda for the remainder of his career, with important contributions published in such leading journals as the *Journal of Political Economy*, *Philosophy*, *Journal of Law and Economics*, *Southern Economic Journal*, *Western Economic Journal*, *Economic History Review*, *Public Choice*, *Canadian Economic Journal*, *History of Political Economy*, and *American Economic Review*. Yet this was but one of several classical-liberal research programs that he felt compelled to pursue.

Classical Economics Resuscitated

A second major research program resuscitated writings by such giants of classical economics as Adam Smith and John Stuart Mill, and launched long-discarded economic logic with devastating effect against the smug socialist doctrines of mid and late twentieth-century Western political economy. In this respect, West's works on Adam Smith are particularly important. His biography, *Adam Smith: The Man and His Works*,[6] was adopted by the Conservative Book Club of

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America and became an academic bestseller. It was reprinted by Liberty Fund in 1976.

His seminal works on the relevance of Smith's economics for the late twentieth century and beyond, *Adam Smith and Modern Economics: From Market Behavior to Public Choice*[7] and *Adam Smith into the Twenty-First Century*,[8] delighted in hypothesizing how Smith might have approached the difficult policy options facing modern society. West was not afraid of quarreling with Smith "whenever he considered it necessary."[9]

By the 1990s West had become so immersed in the mindset of the maestro that he effectively *became* the Adam Smith of our day. Indeed, in 1994 *The Region* actually interviewed West *as* Adam Smith. West's signal contribution was to demonstrate that Smith's ideas are not restricted to the late eighteenth and early nineteenth centuries, but rather are relevant for all times. It was always a privilege to meet and to talk with Eddie West during the 1990s and to feel that one was gaining insights into the mind processes of Adam Smith himself.

Of course, Eddie West was aware that he must communicate Smith's views through the medium of modern economics. To this end he published essays on Smith's ideas in leading economics journals, notably, *Economica*, *Oxford Economic Papers*, *Journal of Economic Issues*, *History of Political Economy*, *Canadian Economic Journal*, and *Journal of Money, Credit and Banking*. In a wider sense, of course, almost everything that he wrote communicated the views of Adam Smith.

It should not be thought that Eddie West's career was devoted exclusively to classical-liberal political economy. He was a first-rate public-finance scholar who wrote extensively on technical issues in that literature, publishing substantive theoretical and empirical articles in such journals as the *Journal of Political Economy*, *Kyklos*, *Economic Inquiry*, *Public Choice*, *Southern Economic Journal*, *Canadian Journal of Economics*, *Econometrica*, *American Economic Review*, *Public Finance*, *Public Finance Quarterly*, and *Journal of Public Economics*. Two of Eddie West's most recent papers were published in the *American Economic Review*, the world's most highly ranked economics journal, as late as 1999 and 2000. This was an entirely fitting finale for a distinguished economist who never retired from his life's work.

One of my great personal and professional disappointments was the brevity of my collegial association with Eddie. The University of Kent at Canterbury became an increasingly hostile intellectual environment for both of us during the late 1960s as faculty and students combined to demonstrate increasing disdain for individual liberty, private property rights, limited government, and the rule of law.

For a time, Eddie encountered considerable difficulty in making himself heard in undergraduate lectures as students attempted to drown out his voice by beating their desks with their shoes, Khrushchev-style. The mere utterance of such neutral economic terms as "markets," "speculation," and "capitalism" was enough to set off the alienated sons and daughters of Surrey stockbrokers into a frenzy.

Eliot College, where we resided, appeared to be little more than a people's republic of Marxists, fellow travelers, and Fabian socialists. The economics program itself (in conformity with leftist thinking there were no departments) was dominated by the thought of the more extremist Cambridge disciples of Keynes and by the command-economy doctrines of Kenneth Arrow, John Kenneth Galbraith, and Paul Samuelson.

Of course, neither Eddie nor I would allow such *dirigistes* to extinguish our still small candle of liberty. However, we were both well aware of Karl Popper's warning about the closed society: "Once we begin to rely upon our reason, and to use our powers of criticism, once we feel the call of personal responsibilities, and with it, responsibility of helping to advance knowledge, we cannot return to a state of implicit submission to tribal magic."[10]

West to Canada

As anti-capitalist campus violence erupted during the late 1960s, periodically closing

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down teaching and research throughout the university, it became clear that the University of Kent at Canterbury had ceased to be an institution of scholarship. In the autumn of 1970 we both resigned. Eddie left for Carleton University in Canada, and I departed for the University of York, the one remaining bastion of free-market economics in the United Kingdom.

Carleton University proved to be a perfect fit for Eddie West. His large corner office in the Loeb building became a magnet for the eager and receptive minds of faculty and students, anxious to obtain exposure to his ideas on free-market economics. By the time that he formally retired in 1992, he had become one of the university's most distinguished and revered members. Retirement, of course, did not change his way of life. He continued to work productively from his office in the university until his death.

Right until the end, he traveled regularly to meetings and conferences. Accompanied by his family, he accepted visiting professorships at the University of California at Berkeley (1974), at Virginia Polytechnic Institute and State University (1975–77), at Emory University (1983–84 and during the spring semesters 1985–88), at the University of Western Australia (1991), and at the University of Kentucky (1995). Many of these trips to warmer locations were designed no doubt, to mitigate the harshness of the Canadian winters for one who had lived much of his life in a more temperate climate.

He was a long-time member of the Mont Pelerin Society; he was active in Liberty Fund colloquia; and, for over a decade, he served as a judge for the Atlas Economic Research Foundation's prestigious Sir Antony Fisher International Memorial Awards. He was a greatly valued member of the Academic Advisory Board of the Locke Institute from its inception in 1990 until his death.

Eddie was much more, however, than a distinguished scholar. He enjoyed life to the full. He remained a mean tennis player almost to the end of his life. He was a devoted husband to his wife, Ann, whom he married in 1959, and a loving father to his three children, John, Sarah, and Caroline, all of whom survive him. The last time that my wife and I spoke to him, at a conference, he was hurrying home to his family, including by then his grandchildren, cheerfully telling us that he could not bear to be away from home for long because he was caught up in "the tender trap."

He bore his lengthy illness with courage and dignity, telling only his intimate friends that he was unwell. As one of his closest colleagues at Carleton University, Stanley Winer, noted at his remembrance ceremony: "Professor West, the happy political economist, did what he wanted to until the end."[11] Those of us who knew Eddie West will always treasure our time with him. His work stands as his testament. His passing was blessedly peaceful: "God's finger touch'd him, and he slept" (Alfred Lord Tennyson). □

1. E.G. West, *Education and the State* (London: Institute of Economic Affairs, 1965), p. 138.
2. Paul Johnson, *Intellectuals* (New York: Harper & Row, 1988).
3. Myron M. Lieberman, back-cover quotation, in E.G. West, *Education and the State: A Study in Political Economy*, Third Edition Revised and Expanded (Indianapolis: Liberty Fund, 1994).
4. Liberman, "Introduction," ibid., p. xx.
5. E.G. West, *Education and the Industrial Revolution* (London and Sydney: B.T. Batsford, Ltd., 1975).
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IDEAS ON LIBERTY
APRIL 2002

Market-Based Higher Education

by Keith Wade

As experience continues to prove that private industry can do things more cost effectively and with better customer satisfaction than governmental entities, debate has shifted to what functions are appropriately in the government's realm. Over the past several decades various institutions have arisen to challenge the notion that higher education is among the activities that government can perform better than the private sector.

I should disclose my biases. I am a product of—and a strong believer in—a traditional liberal arts education. I completed my master's degree at the University of Phoenix (a for-profit university) and am currently working on my doctor of business administration at Argosy University (a for-profit university). Finally, I am an adjunct faculty member at Webster University (a private but not-for-profit university).

It is probably worth noting that the private sector has the odds stacked against it in the arena of higher education. First, public education is highly subsidized by the taxpayers. Second, through many years of this subsidization, public institutions have built huge infrastructures to facilitate their educational delivery and research projects. Third, government jobs—including those in higher education—often pay better and offer better benefits than do those in the private sector. Finally, both because of some "bad apples" and a smear campaign, "nontraditional" is often thought to mean "shady" or "nonaccredited," as opposed to what it truly means: innovative, new, creative, and market-driven.

Yet through knowing their market; applying the market principle "location, location, location"; emphasizing value-added services; and operating according to a different staffing model, these institutions have indeed been able to compete.

In researching my own doctoral program, I confirmed my suspicion that private institutions (both for-profit and not-for-profit) were indeed more expensive than public institutions. Yet many people opt for the more expensive private version.

At least in my case, this decision was not based on perceived quality. The University of South Florida, the public option reasonably near my home, has worldwide recognition as a quality school. While my research has been casual and completely anecdotal, it has better name recognition than the school I chose.

Rather, my decision was based on the realities of my life: I have a full-time job that pays my mortgage, car payment, grocery bills, and the rest. I cannot be a full-time student, which precludes my going to the less-expensive public university with its weekday classes.

The market abhorring a vacuum, Argosy offers a mix of nonresident tutorial courses

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and short residency weekend courses. Similarly, both the University of Phoenix and Webster University offer classes that meet but once a week and at night, making them accessible to those who have full-time jobs and family responsibilities.

Because both the campus I teach at and the one I take classes at offer graduate programs geared toward working professionals, many of the trappings of traditional campuses are missing. There are comfy chairs, sturdy tables, high-quality video equipment, fresh coffee, and support staff that works 5 to 10 p.m. Missing, however, are dormitories, sports fields, and other things that contribute to the cost—but not necessarily the quality—of graduate education.

Not only are the facilities geared toward the needs of the customers, the class offerings are as well. The campus I teach at offers four degrees, all at the master's level. That's it. Such specialization allows for precise and rapid delivery of the instruction the students want.

Location, Location, Location

I did my graduate work at the Colorado campus of the University of Phoenix and teach at the Lakeland, Florida, campus of Webster University, one of dozens of "satellite campuses" around the world. Unlike the sprawling (and not always conveniently located) campuses of bygone days, today's private institutions go where the students are, instead of asking the students to come to them.

The latest manifestation of this—Web-based delivery—enables one to take courses with few, if any, visits to the campus. Many private institutions make it possible to complete an entire bachelor's program online.

I have spent the last several hours using the Argosy library to do research for one of my doctoral courses. I did this in my bathrobe while drinking my morning coffee. While this may not be a pretty scenario, it is indeed convenient. Argosy, like many other institutions, does not maintain a research library at each of its campuses (an exceedingly costly proposition). Rather, like Webster, it maintains a massive research library online and accessible to its students 24 hours a day, from anywhere in the world. Unlike at traditional libraries, nothing is ever unavailable. Librarians are there to help online or by toll-free telephone. Webster is delighted to ship via UPS media that do not lend themselves to online delivery.

The campus bookstore is also virtual. Offering competitive prices and next-day delivery, it is also more convenient than the traditional bookstore. An added benefit—perhaps an unintentional one—is that by forcing instructors to list textbooks by ISBN, comparison shopping is especially easy.

As illustrated, the nongovernment university has a good deal of flexibility. Part of this flexibility lies in its staffing model.

Like the other instructors at my campus, I am a Webster University employee complete with a W-2 form, a boss, performance evaluations, and other trappings of employment. We are, however, part-time employees who do not receive insurance benefits, participate in the retirement plan, or get paid when we are not teaching.

No insurance benefits! Only paid when working! Am I being exploited? Quite the contrary. I am well paid and love what I do. It is a part-time job, and like most it is structured on the presumption that its holder either has traditional benefits (such as health, dental, and retirement) through another employer or does not need them.

Unlike the terrific economic burden imposed by full-time employees, this arrangement allows my employer to get a working professional—when needed and as needed—to teach courses within his field of expertise. And it enables me to enjoy teaching, earn a little extra money, and keep the security of my full-time job.

We see yet again that private enterprise can be relied on to give consumers what they want. Notwithstanding that education for profit and alternative education are relative newcomers to the higher-education arena, and notwithstanding that the playing field is highly tilted in favor of state-run education, private enterprise is indeed making its mark. □

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IDEAS ON LIBERTY
APRIL 2002

The Private Road to Freedom

by Scott McPherson

> "Traffic jams are minor inconveniences to a government bureau; to a private corporation, they mean the loss of a small fortune in potential customers."
>
> —DAVID FRIEDMAN, "Sell the Streets"

There is not a state in the union that does not struggle from year to year to build and maintain roads in something resembling an efficient, timely, or competent fashion. State legislatures and city governments raise only a chuckle from their constituents when suggesting that this time, this budget, they will get it right. In the meantime, private alternatives to the current bureaucratic nightmare that defines most transportation infrastructures are ignored.

The idea of privately owned, for-profit roads is one of the most revolutionary ever put forward by advocates of limited government. Nevertheless, it should not be dismissed as a mere utopian musing. Decades of government control of roads have led many to throw their hands up in despair and resign themselves to constant frustration with civic leaders. The time is ripe to introduce new arguments on this front.

Streets, highways, interstates, and turnpikes should, first, be understood in their proper context. Government exists to protect individual rights—specifically, it exists to provide protection for individual citizens against acts of force or fraud. Nowhere in this relationship is there room for government to involve itself in the travel needs of the people. Some claim that governments build roads to promote individual "freedom of movement," but this is a misapplication of the concept of individual rights: the "right to bear arms" does not mean the government should buy you a gun, nor does "free speech" imply an obligation to furnish a publishing company.

Like food, shelter, clothing, guns, and newspapers, roads should be treated as products of the marketplace.

Such a suggestion is admittedly a radical departure from conventional wisdom, and critics of the market will be quick to say that some things just can't be handled through free enterprise. Yet it should be remembered that in Soviet Russia the thought of private grocery stores replacing bread lines was dismissed as impractical as well.

There is no logical reason why roads could not have private owners and be operated for profit. Ideally, government would never have been in the road construction business in the first place. As a result, the

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arrangement in place would already be private, and drivers would be experiencing the same kinds of quality and innovation that consumers take for granted in truly market-oriented fields.

The difference that drivers would see under a private system of roads is impossible to strictly determine. Many roads would probably be abandoned as unnecessary, others as unprofitable, and the charging system could vary from city to city, or even within a city. Most likely, highways would price according to demand, with the cost rising at the busiest times of the day to minimize congestion. (The unintended positive effects would be fewer accidents and lower emissions.)

The condition of roads would also likely improve. If a road owner allowed his thoroughfare to deteriorate to a degree unacceptable to those driving on it, they would promptly find another route to their destination. Ultimately, drivers-as-consumers would be able to vote on a daily basis their approval or disapproval of the condition, policing, and safety of any given street or highway by granting or withholding their patronage. Unlike government-owned services, however, road providers would have to remain ever mindful of customer satisfaction if they hoped to stay in business.

For example, after Buffalo, New York, was blanketed with nearly seven feet of snow last winter, the governor ordered out the National Guard, and Representative Jack Quinn even requested federal aid to help dig the city out. What private road company could sit by while its profits dropped to nil because a snowstorm rendered its streets and highways so completely impassable? California reported that an estimated 37 percent of its roads are in "poor" condition—imagine the fate of any private business that received such a rating from over a third of its customers.

How to Make the Transition

Many concerns will inevitably arise if the idea of private road ownership is ever taken seriously. Would interested companies be allowed to bid for parcels or entire citywide networks? Could an individual homeowner be granted title to the piece of street outside his house? And how would current easements and rights-of-way be secured?

These are all valid questions, and the onerous task of city councilmen and state legislators would be to address them in a manner least disruptive to the citizenry. A wise first step might be to enlist the support of organizations like Toll Road Investment Partnership II, which built and maintains the 14-mile Dulles Greenway Toll Road outside of Washington, D.C. Sound advice could also likely be gleaned from our Canadian cousins. A private highway north of Toronto is run by 407 International, Inc., a consortium of Spanish and Canadian firms.

The government might even look overseas for guidance on private road construction and ownership. Finland currently has 280,000 kilometers of private roads, while Sydney, Australia, uses a number of private tollways and actually raised some of the capital to build them through public stock offerings.

Opponents of private roads will be wont to point out the imperfections of any plan proposed, but they should quickly be reminded that government created this problem. As economist David Friedman observed in his essay "Sell the Streets": "Certainly there are practical difficulties in transferring the present system . . . to private hands. The cost of negotiating private contracts . . . would be considerable. So are the costs of the present governmentally owned system." (The essay appears in Friedman's book *The Machinery of Freedom*.)

For most, it is accepted as a simple fact of life that we will always pay a burdensome tax rate for substandard streets and highways. If we truly want change, though, we should stop doing what we've always done and try the only fresh approach—get government and its bureaucracy out of the way and let private initiative satisfy Americans' driving needs. □

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Economics

Government Creates Prisoners' Dilemmas

Government actions are commonly justified as necessary to overcome prisoners' dilemmas—situations in which collectively irrational outcomes result from choices that are individually rational. Supposedly, without being forced to pay for public goods, reduce pollution, and respect property rights, few (if any) of us would do these things even though we would all be better off if we did. This argument is subject to serious qualifications. First, market arrangements arise that do a far better job motivating voluntary solutions to these prisoners' dilemmas than commonly realized—as discussed last month. Second, as a practical matter, even when market responses are not perfect, government action is not necessarily an improvement. Government attempts to solve some prisoners' dilemmas invariably create additional prisoners' dilemmas that can be worse.

For government to help people overcome prisoners' dilemmas, it must acquire information from consumer/taxpayers on their preferences. It is one thing to force people to pay for a public good, for example, and quite another to force them to pay for only that amount worth more than it costs *at the margin*. Voting is surely the best way for the general public to transmit information to political authorities on the value of government services. But voting itself puts voters (or potential voters) into a number of prisoners' dilemmas.

First, consider that citizens would be better off collectively if they all became well informed on the issues and candidates being voted on. Suppliers, whether politicians or used-car dealers, provide better service at lower cost when their customers are well informed. But becoming politically informed is costly, and unlike becoming informed on a private purchase, no matter how informed a voter is, his choice at the polls will not affect the bundle of government services he receives or how much he pays for it. This is true no matter what he thinks other voters will do, unless they split their votes evenly (highly unlikely), in which case his vote is decisive. So avoiding the cost of becoming politically informed is the rational choice for each even though the resulting "rational ignorance" leaves citizens vulnerable to the political exploitation of special interests, as will be discussed. As the theory predicts, polls indicate that people are poorly informed on political issues.

Second, even if information were freely available and citizens were fully informed, they would still be in a voting prisoners' dilemma. Taking the time to register to vote and go to the polls is costly. Those costs are not large, but they are much larger than any private benefits realized by shifting political decisions in the direction the voter prefers, a benefit that is effectively zero, given the minuscule probability that any one vote will be decisive. So although it is collectively

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rational for all informed voters to vote, keeping politicians more responsive to the general concerns of the public, voting is irrational (at least for the purpose of affecting the outcome) for each voter. This prisoners' dilemma is commonly referred to as "rational apathy."

A natural response is that rational apathy cannot be a serious prisoners' dilemma. Since many people do vote, they must realize personal benefits from voting even when their votes don't affect election outcomes. This argument has merit, but it tells us that voters who avoid the prisoners' dilemma of rational apathy do so by becoming entangled in a third prisoners' dilemma.

There is an expressive benefit from voting having nothing to do with the election's outcome: People feel good about expressing support for, or opposition to, particular policies and candidates. And since no one vote is likely to affect the outcome, it costs a voter effectively nothing to achieve expressive satisfaction by voting. So if a person feels good about expressing support for "helping the poor" or "protecting the environment," he can vote for government programs that claim to accomplish these noble goals (or for candidates who support them) at almost no personal cost, no matter how much these programs will cost him in higher taxes *if they pass*.

Of course, when a majority of the voters engage in "expressive voting," all taxpayers end up paying much higher tax bills than any of them would vote for if their individual votes were decisive. But, because of the prisoners' dilemma that expressive voting creates, each voter sees the personal advantage in "expressive voting" no matter how he thinks others will vote.

The Politics of Plunder

Once voters empower government to take more of their money for noble purposes, they create yet another prisoners' dilemma. Ensuring that tax revenue is spent to actually accomplish what they voted for at reasonable cost requires that voters monitor how politicians and bureaucrats spend that revenue. Although taxpayers would be collectively better off if all contributed to the cost of monitoring, each taxpayer is better off not contributing, no matter what he thinks others will do.

This lack of follow-up means that once a noble-sounding government program has been approved, organized interest groups working behind the scenes will make sure the program does more to benefit them than to accomplish the noble purpose. Because these groups are relatively small, they can overcome the prisoners' dilemma that prevents taxpayers from effectively organizing political action.

Politically influential interest groups are also in a destructive prisoners' dilemma. It is tempting to plunder the wealth of others (particularly if it can be done legally) when the plunderers are few and the victims many. But before long, more and more groups want to get in on the booty, and politics becomes an increasingly destructive process in which everyone attempts to become wealthy by plundering from one another.* Everyone would be better off if all interest groups reduced their political plundering and returned to productive efforts, but no group is motivated to do so. Who wants to specialize in wealth creation when surrounded by specialists in theft?

The argument is not that all government actions cause more problems than they solve. A few government activities can create more value than cost by enforcing property rights and defending us against foreign aggression—both of which facilitate market exchange. The important question isn't whether we should have some government, but how much government, and what it should do. If we look only at the advantages of government's addressing some prisoners' dilemmas, while ignoring ones it creates, then we will always err in the direction of too much government. □

*Or as Frédéric Bastiat famously wrote, "The state is the great fictitious entity by which everyone seeks to live at the expense of everyone else." *Selected Essays on Political Economy* (Irvington-on-Hudson, N.Y: Foundation for Economic Education, 1995), p. 144.

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IDEAS ON LIBERTY
APRIL 2002

What's Wrong with Reparations for Slavery

by Stefan Spath

There has been much debate recently about reparations for slavery. According to its proponents, the federal government should award Americans of African descent financial damages solely because slavery, as an institution, existed in the United States from the founding until almost a century later.

Three principal arguments are offered: (1) The legacy of slavery has hindered the economic progress of blacks in America; (2) reparations would serve as a damage award that would rectify a historical wrong committed by the United States; and (3) reparations would give poor blacks more disposable income, which would increase their living standards and lift entire black communities.

On the surface, these arguments seem to have a modicum of legitimacy. However, because of the potential divisiveness that the issue is sure to have, it is important to closely examine the premise on which these arguments are based. To do that effectively, we must first look at the institution of slavery itself from a historical perspective.

Slavery as an institution existed on every inhabited continent of the earth for at least 4,000 years of recorded history.

Slavery was a truly global phenomenon: Europeans enslaved other Europeans; Asians enslaved other Asians; Africans enslaved other Africans; and Native Americans enslaved other Native Americans. In fact, the origin of the word slavery itself comes from *Slav*, as in the Slavic people of eastern Europe and the Balkans. During the middle ages and throughout the early stages of the Ottoman Empire, Slavic villages in what is modern-day Yugoslavia (Serbia) and Croatia were regularly raided by Barbary pirates, Arab slave traders, and Ottoman conquerors in search of men, women, and children to enslave. During the eighteenth century it wasn't uncommon for up to half the slaves for sale on the island of Zanzibar, an Arab colony off the east coast of Africa, to be Caucasian. In short, people of all races, not just blacks, have been enslaved, and virtually every culture in the world has a grievance.

The only thing unique about slavery in the West is that it was abolished here. One of the earliest anti-slavery documents was Pope Pius II's 1462 condemnation of slavery as a "great crime." British abolitionists, who for the most part were evangelical Christians, championed the legislative revolution that brought about manumission in Britain and her colonies.

In the West, once the abolitionist momentum was underway, there was no turning back. This was especially the case in the United States, where the ideological underpinnings of a constitutional republic made it increasingly difficult rationally to deny slaves their rights. The abolition of slavery in

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the United States marked a historically significant moral high point, not only for this country, but also for the entire world. By the end of the nineteenth century, slavery as an institution was non-existent in the West and only existed in small pockets of Africa, Asia, and the Middle East.

Has Slavery Hindered the Economic Progress of Blacks?

Economist Thomas Sowell, in his seminal work *Civil Rights: Rhetoric or Reality*, concluded after exhaustive statistical research that the vast majority of whites and blacks believe there are a higher percentage of blacks in poverty than there actually are. Indeed, when surveyed, most whites *and* blacks believe three-quarters of black Americans live below the official poverty line, when in reality only one in four do, according to the 2001 Census.

Why is there so much confusion? Part of the problem is the perception that "black" and "poor" are synonymous. In the 1960s it was politically expedient to associate the state of being poor, uneducated, and oppressed with being black. The civil rights establishment found this association rhetorically necessary to focus public attention on the plight of southern blacks and to engage the emotions of the white majority against overt southern racism.

However, this political strategy had an unexpected impact on the emerging black middle class. According to the black-*equals*-poor logic, when the black middle class achieved more opportunity and became more educated and affluent, it essentially became less "black." This perhaps explains the black establishment's attitude toward Supreme Court Justice Clarence Thomas and national security adviser Condoleezza Rice. Essentially, black identity was hijacked and frozen during the 1960s.

Unfortunately, the image of poverty-stricken blacks in need of government handouts to get by is still perpetuated by race demagogues like Jesse Jackson and Al Sharpton, who stand to gain politically by fostering that stereotype. It is a truism of politics that charlatans in search of political power will always benefit from having a constituency with a chip on its shoulder.

Is there a legacy from slavery that has hindered the economic progress of blacks today? Let's consider the numbers. Major marketers have long constructed a black "gross national product" (GNP) from government statistics to gauge the financial power of black Americans. This is actually a misnomer since it tries to measure the total products and services consumed, not produced, by the black community. This statistic is often cited by black political leaders to persuade corporate America to produce more goods suited to the preferences of blacks. It turns out that if black Americans constituted their own country, they would have the 11th largest economy in the world.

In addition to being a wealthy demographic group (richer than 90 percent of the people in the world), blacks in America have a longer life expectancy than African and Caribbean blacks, as well as whites in many parts of Eastern Europe and Latin America. Black Americans have higher rates of literacy and achieve more postsecondary degrees as a percentage of the population than blacks in Africa. Black Americans' upward mobility from Reconstruction to the present is a testament to their creativity and ability to adapt. Reparations are not only unnecessary as a financial corrective, but they would also be an insult to the multitudes of successful black Americans who lifted themselves out of poverty before and after the civil rights movement.

Who Gets What?

If the proponents of reparations take to the courts, it will be interesting to see their principle for determining who is entitled to what. For many reasons that will be a Herculean task.

Because of centuries of migration, conquests, and intermixing, racial purity is more of a social construct than a biological fact. Intermarriage between whites and blacks in America over the past two centuries has pro-

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duced a large population of individuals who defy the stark dichotomy.

Racially mixed populations in other parts of the world, such as in Latin America, have created classifications to describe themselves based on racial portions as small as an eighth. However, the practice of racial classification has evolved differently in the United States.

In an effort to deny inheritance rights to illegitimate progeny born by slave women, racist plantation owners in the antebellum South created the dreaded "one-drop rule" to discourage the courts from calling their miscegenational offspring anything but Negro. The nomenclature of this racist practice has survived to this day and is embraced by both blacks and whites, who for the most part are unaware of its discriminatory beginnings. Consider how Vanessa Williams and Colin Powell are labeled black despite their interracial heritage.

With so much racial intermixture, will those who dole out the potential reparations demand certificates of racial purity? The thought is preposterous.

Another quagmire in paying reparations is that a small percentage of blacks were free before slavery ended, having bought their freedom or having had it bequeathed to them by sympathetic slave owners. Are their descendants eligible for reparations?

In antebellum New Orleans it wasn't uncommon for freemen of color to own slaves. That blacks owned slaves has been a hotly debated point. It is true that a vast majority of blacks who bought slaves did so to emancipate relatives and friends. However, there are several well-documented cases of black slave owners in Louisiana who kept their slaves in servitude for life.

Black slave ownership poses a serious conundrum in the equitable distribution of reparations. Few Americans, white or black, are familiar enough with their genealogies to know, with any certainty, significant details about what their ancestors were doing almost two centuries ago.

Then there is the case of African and Caribbean émigrés from the post-Civil War era. It is estimated that this subgroup of the black community comprises between 3 to 5 percent of the total black population in the United States. Will they pay or receive reparations?

More Reparations?

In some respects one could argue that reparations for slavery have already been paid. These implicit reparations, the argument goes, have taken the form of direct monetary transfers such as welfare payments or nonmonetary benefits such as hiring and admission quotas. Indeed, policies based on racial preferences such as affirmative action have allowed hundreds of thousands of blacks to enter universities and obtain employment based on criteria different from those applied to other groups of people.

It should not be overlooked that the greatest irony of American slavery is that the descendants of those brought across the Atlantic from Africa are demonstrably better off than the descendants of those who remained. Sub-Saharan Africa is home to some of the poorest countries with some of the most appalling living conditions in the world. Disease, war, and famine are commonplace, and corrupt governments led by military dictators and kleptocrats insure that economic growth and development for the masses is a low priority. In his book *Out of America: A Black Man Confronts Africa*, American reporter Keith Richburg concludes that black Americans should consider themselves lucky to have escaped the squalor of what is contemporary Africa.

Not only blacks, but all Americans should feel lucky to be born in the society with the most opportunities for advancement. The American dream is not a myth but a reality—so attractive that tens of thousands of people from across the world try to make it to our shores every year. The benefits of living in the United States weaken, if not destroy, the foundation of the argument in favor of paying blacks group compensation for what happened to their ancestors.

In a system where politicians steal from Peter to pay Paul, the politicians, as George Bernard Shaw once pointed out, can always

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count on the support of Paul. But does this redistribution of wealth leave anyone better off? Yes. The people who receive the hard-earned money confiscated from the taxpayers will undoubtedly be materially better off. However, to judge whether such a policy is sound, one must look beyond the immediate effect and try to discern the impact on other groups.

In that respect, reparations would not be an economic stimulus because wealth would merely be shifted from its producer to someone else—no new wealth would be created. Applying the wisdom of Frédéric Bastiat in looking for what is *unseen* in public policy, we could say that the economic benefits of reparations are countered by the taxpayers' invisible opportunities compulsorily forgone. Put in this context, how could one argue that the expenditure of reparations by blacks would be an economic stimulus?

An economist as such cannot make normative judgments about a policy and remain true to his discipline. He cannot tell us how to correct the historical crime of slavery (assuming it can be corrected at this late date). What economics can teach us is that if policymakers appropriate the wealth of one group to pay reparations to a second group because a third (dead) group did nasty things to a fourth (dead) group 150 years ago, it would create a plethora of problems. Chief among them would be racial animosity and the festering of a truly debilitating mentality of "victimization" among black youths.

Are Current Taxpayers Culpable?

Of the three primary arguments for reparations, the argument for damages is the most irrational. Though slavery was widespread in the southern United States, slave ownership was not. It is estimated that less than 10 percent of whites owned slaves. The vast majority did not; they had neither financial nor agricultural resources to warrant slave labor. Slave ownership was restricted to a highly concentrated group of wealthy southern elites—the landed aristocracy.

Today we live in a country with a population of 285 million people. Because of immigration, it is safe to argue that the majority of white people in this country are descended from post-Civil War immigrants who had nothing to do with slavery.

Many ethnic groups that arrived on American shores in the early twentieth century, including the Irish, European Jews, and Chinese, were subject to severe discrimination. However, with every passing generation, ethnic groups developed the occupational skills, knowledge, and cultural norms necessary to fully assimilate and rise to higher socioeconomic levels within the mainstream American culture.

Why, then, should the descendants of these groups, let alone first-generation Americans, be financially liable to blacks as a group? In the American legal system, damages hinge on the principle of cause and effect—one pays for the damage one causes. In the case of slavery, there is no culpable person alive to pay for the crime.

Perhaps the most important error made by those who argue for reparations is not economic at all but philosophical. The idea of achieving justice by taking money from one group to pay another for an act that was neither committed nor suffered by the parties is a collectivist affront to the American ideal of individualism. People are not interchangeable pawns but individuals responsible for their own actions. Slaves and slave owners are dead, and we cannot bring them back.

Our Constitution provided the framework for legal equality for all individuals, and later legislation eliminated remaining race-based government barriers to freedom, assuring that blacks, like whites, can be beneficiaries of this great system. Thus the only solution to the race problem in America is a commitment to individualism. □

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IDEAS ON LIBERTY
APRIL 2002

Businessmen on Business Values

by William H. Peterson

A Cato Institute report issued last October estimates corporate welfare at $87 billion in 2001. That's 30 percent bigger than Cato's previous 1997 corporate welfare estimate of $65 billion. Welfare for business? Business in bed with the state? What goes on? (See Stephen Slivinski, "The Corporate Welfare Budget: Bigger Than Ever," Cato Policy Analysis No. 415, October 10, 2001.)

True, President Bush stoutly sought corporate welfare cuts of about $12 billion a year ago, notably in such programs as the Overseas Private Investment Corporation, Export-Import Bank, Small Business Administration, and Maritime Administration's guaranteed loan program. Somehow these proposed cuts vanished with September 11 and the Hill politics of budgetary "stimulus" at a recessionary hour. Comments the Cato report on some of the "worst" corporate welfare programs: "They subsidize large, profitable corporations at the expense of taxpayers for projects that already receive, or could receive, adequate funding from the private sector."

Amen.

The Cato report notes how hard it is for business and members of Congress to overcome their incestuous relationship. Such was the problem congressmen faced in shutting down military bases—and jobs—in their home districts, bases declared surplus by the Defense Department itself. Years passed till cooler heads in the House and Senate hit on the winning military-base-closure-commission idea. Cato urges an analogous corporate-welfare-reform commission: it would propose a list of corporate welfare programs for repeal by Congress, which would hold an up-or-down vote on the entire package.

A personal confession: As a young innocent some 50 years ago setting out in graduate economics at New York University, I saw businessmen as born defenders of the faith, natural trustees of free markets—save for some renegade protectionists milking the system. Then I met visiting NYU Professor Ludwig von Mises, who set me straight by having me look up this passage in the English edition of his *Socialism* (1951, p. 503; original German edition 1922): "The entrepreneur, the man who seizes the opportunity of the moment, has little interest in the issue of a secular struggle of indefinite duration. . . . To fight on principle for the maintenance of an economy based on private property in the means of production is no part of the program of organized entrepreneurs."

Corporate Philanthropy

This Mises point on corporate expediency, on getting along by going along, is seen in work by the Capital Research Center, based,

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like Cato, in Washington, D.C. Check its annual series, *Patterns of Corporate Philanthropy,* on the widespread business habit of handing over responsibility for corporate giving to a philanthropic managerial class hardly in sympathy with the workings of a free economy. The 2001 *Patterns*, using free-market criteria, gives an "A" to no large firm for its corporate philanthropy; a "B" to but one big firm, Cigna; a "C" to eight large firms, including Weyerhaeuser and Bristol-Myers Squibb; a "D" to six large firms, including Merrill Lynch and Procter and Gamble; and an "F" to five large firms: PNC Bank, Sara Lee, May Department Stores, Target Stores, and Freddie Mac.

Nationally syndicated columnist Mona Charen, who wrote the preface in the 2001 *Patterns*, finds Big Business weak-kneed in standing up to intimidation and shakedowns. She refers, for example, to Jesse Jackson's prevailing on major Wall Street firms to come across with nice contributions to him and his friends "on pain of lawsuits, boycotts, and other forms of protest."

Henry Ford II, on quitting the Ford Foundation as a trustee in 1976, told an associate it was a "madhouse," explaining that the foundation is "a creature of capitalism, a statement that, I'm sure, would be shocking to many professional staff people in the field of philanthropy." As the late William E. Simon, president of the John M. Olin Foundation and former secretary of the treasury, wrote in the preface to the 1992 edition of *Patterns*: "Capitalism has no reason in this world to underwrite its enemies, but it does have a reason—in fact, a duty—to support individuals and institutions dedicated to preserving Western civilization and the economic and political institutions that have given America the highest standard of living, the greatest prosperity, and, most importantly, the greatest individual freedom ever known to man."

Antitrust Faults

Antitrust is another area where corporate rectitude falls short. The broad theory of the Sherman Antitrust Act of 1890 is to safeguard consumers by safeguarding competition. Sure. But look how, for example, U.S. District Judge Thomas Penfield Jackson and the U.S. Justice Department pursued Microsoft on grounds of "monopoly." The real litigants turn out to be not so much consumers represented by a noble U.S. government, but hard-driving, privilege-seeking Microsoft competitors like Sun Microsystems, Netscape, Oracle, and other corporate loathers of competition that bites them in the pocketbook. Surely businessmen and investors in general should return to first principles, rethink the role of government and business in a free society (avoiding pork like poison), re-examine their corporate philanthropy programs, and support more heavily pro-free-market organizations.

Business—and personal—integrity is the thing, a beacon that shines across the world whether you read the Bible or the Koran. As Polonius advises Laertes:

> This above all: to thine own self be true,
> And it must follow, as the night the day,
> Thou canst not then be false to any man. □

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IDEAS ON LIBERTY
APRIL 2002

An Economics Lesson for the Drug Czar

by E. Frank Stephenson

A few years ago I heard a news report that then-drug czar General Barry McCaffrey considered it "good news" that Americans' spending on illegal drugs had fallen to $57.3 billion in 1995 from $91.4 billion in 1988. The implication of the report was that the reduction was evidence of a successful anti-drug policy, presumably one that reduced drug usage. Elementary economics suggests otherwise.

The total expenditure on a product equals the number of units sold times the selling price. Other things equal, a lower selling price increases the number of units sold. Reduced expenditures on a product can be caused either by a lower price accompanied by a smaller percentage increase in quantity sold or by a lower quantity sold accompanied by a smaller percentage increase in price.

Which of the two scenarios applies to illegal drug usage? Illegal drugs, like the dreaded cigarette, can be habit-forming. Hence the amount people purchase probably does not respond strongly to changes in price. Thus the former scenario, in which total expenditure on illegal drugs falls because the unit price falls more than the quantity consumed rises, is correct. Consequently and contrary to what the drug czar wanted us to believe, the decrease in drug expenditure suggests that drug usage has increased.

If the drug czar can estimate the expenditure on drugs (no one willingly reports these transactions), he can certainly estimate drug usage. And if he can calculate drug consumption, then he could use the consumption data to directly report a decrease in drug usage (if one has actually occurred) rather than indirectly (and probably incorrectly) inferring a decrease in drug consumption using the expenditure estimate. (As an aside, McCaffrey suggested that the $57 billion spent on drugs could be used to send one million people to college; some would suggest that this might increase drug usage.)

In fairness it should be noted that other things may not be equal. It is possible that some external factor such as an advertising campaign has reduced the quantity of drugs demanded at each price, thereby reducing both the selling price and the number of units sold. Again, while this may be true, the expenditure data do not imply this conclusion. The drug czar's evidence would be much more persuasive if he cited actual consumption data rather than expenditure data.

May Lessen Crime

Although the decrease in spending on illegal drugs suggests drug usage has increased, there was a bright spot in the drug czar's expenditure numbers. Since the spending

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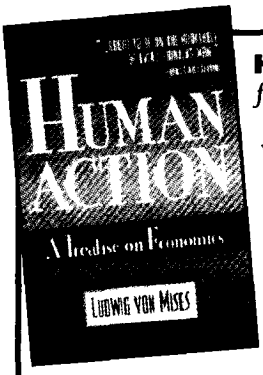
decline suggests that the price of drugs has decreased even if drug usage is up, the lower price of drugs reduces addicts' need for drug money and as a result may lessen the crime committed to finance drug habits. Paradoxically, an increase in drug usage may be accompanied by lower crime.

This is not what the drug czar had in mind when he trumpeted the reduction in drug expenditure as good news. However, more than anything about the success of White House drug policy, what he revealed is a poor grasp of elementary economics. Perhaps even more depressing, the media reported the drug czar's expenditure numbers without an iota of critical thought and, in the process, displayed its own woeful lack of economic knowledge. □



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foreword by Bettina Bien Greaves

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CAPITAL LETTERS

Christians in Egypt

To the Editor:

I was reading the December issue of *Ideas on Liberty* and came across Mark Skousen's remarks on "The Case for Religious Competition." I believe that you understate the presence of "Christians" in the Middle East. In Egypt you neglected to mention the Copts—who are thriving despite persecution. Some 8 or 9 million Egyptians are Christian, some 13 percent of the population. And there are Western missionaries in Egypt. They do not enter the country under that title (they have other legal employment) but they are recognized by their sending churches as missionaries.

Lebanon is still better than 30 percent Christian, more than one million people. Syria is 5 percent Christian, close to a million people. All statistics are from "Operation World" by Patrick Johnstone and Jason Mandryk, published by Operation Mobilization. On the subject of Egypt it says: "The official figure for Christians is 6 percent, but Christians claim up to 20 percent. The truth is probably in between."

—David Easlea
by e-mail

Mark Skousen replies:

You make a good point. There are millions of Christians in the Middle East. Nevertheless, they are everywhere a persecuted minority, and Christian missionaries are officially banned, even in Israel. Thus religious competition—like economic and political competition—is severely restricted in this dangerous part of the world. And that can mean only one thing: a lower quality of life.

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APRIL 2002

An Economist Reflects on Law

I graduated from law school ten years ago. During that decade I've often reflected on the differences between my experiences in law school and those as an economics graduate student.

The most obvious difference is that earning my Ph.D. was vastly more interesting and fun than earning my J.D. I am not criticizing my law professors and fellow law students; they were generally excellent. Rather, I mean only to report that my love of economics is so all-consuming that no other subject can possibly rival it. While I liked studying law—and even, on occasion, became exhilarated by it—I have always been and will remain absolutely captivated, charmed, entranced, intrigued, and thrilled by economics. So I knew I would enjoy law school less than graduate school in economics.

Several other differences come to mind. For example, a good number of my fellow law students were there simply because their parents expected them to be there. Not so in economics. Relatedly, many of my fellow law students hailed from elite backgrounds. In stark contrast, all of my comrades in economics graduate school were, like me, from either working-class or middle-class families. And, of course, most of my fellow law students aimed to earn big bucks after graduation. No one studies economics with the aim of earning a fortune.

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One of the biggest and most important differences was, as expected, in the material covered. I often criticize my fellow economists for going much too far in formalizing the discipline—for forgetting that modeling and abstract reasoning are valuable only if they enable us to better understand reality. Economics should not be about what economists do; it should be about the world.

But as dry and irrelevant as some parts of economics have become, at its core it continues to impart an utterly fundamental truth: The complex and productive economic arrangements that make possible our prosperity and, indeed, our very civilization—the enormous division of labor and the intricate exchange relationships that accompany it—are the unplanned yet happy consequences of millions upon millions of individuals each making his own consumption and production decisions within the context of private property rights and guided by market prices.

Different economists describe this truth differently. And they differ also in their understanding of the finer points of the analysis. Ludwig von Mises had a slightly different understanding of the way markets function than Milton Friedman—who, in turn, has a slightly different understanding than Gordon Tullock, who has a slightly different understanding than Vernon Smith who. . . . You get the idea. While there are differences among great economists in understanding, emphasis, and expositional style, all emphasize the vital importance of decentralized decision-making guided by

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market prices that emerge only in a regime of private property rights.

In brief, all good economists understand that productive economic arrangements are (to use a phrase that F.A. Hayek was properly fond of) the results of human action but not of human design. Economics graduate school is, ultimately, an attempt to impart to students a deep understanding of the logic of this decentralized, unplanned market process.

Law by Design

Law school is totally different. The reigning conception of law in today's legal academies is Law by Design. The prevailing attitude among both faculty and students is that of the central planner. The question that motivates the great bulk of legal analysis today is, "What should the law be?"

By this description, I don't mean that the typical law professor or law student asks general questions such as "should the law protect private property rights?" or "should contracts be enforced?" These legitimate questions are indeed asked. (Incidentally, one worthwhile consequence of studying law is the appreciation it imparts of the complex details that must be grappled with in answering such questions.)

Instead, I mean that today's typical law professor and student predominantly ask, "How can we use the law to engineer society so that it looks like what we professors and students feel it should look like?" To extend an analogy that I first read in a book by Richard Epstein, legal scholars today aren't content to discover and describe the rules of the road and to understand the process that generates them. Instead, too many legal scholars want to determine the specific content, direction, speed, and pattern of the traffic. Legal scholars today fancy themselves as the central planners of law and, through this process, as central planners of society itself.

Many outcomes that emerge from the peaceful, voluntary choices of individuals are condemned by legal scholars today for not measuring up to their own imaginary utopias. For example, if a greater number of women than men choose to sacrifice careers to raise children at home, an entire cadre of law professors pontificates about the resulting larger proportion of men in senior management positions. These professors propose "laws" to "solve" this "problem." Or if consumers insist on patronizing big-box retailers such as Wal-Mart, another cadre of law professors loudly laments what they (wrongly) imagine to be the crassness of commercial society and propose specific legislation to restrict consumers' choices of where to shop.

If economics graduate school were analogous to law school, economics students would spend much less time learning how markets work and far more in the futile—actually, *absurd*—quest of determining the specific price of steel or the number of bushels of pears that should be annually produced.

The notion of trying to determine such facts abstractly rather than relying on actual competitive market processes to generate and reveal them was never a major program for economists. And those relatively few economists who did conceive such calculation to be the task of the economist are today historical curiosities.

In contrast, legal scholarship remains primitive. Unlike economists, most law professors have yet to discover spontaneous order. Law for them is only what some authority declares it to be rather than the evolved product of countless human interactions. The idea that law need not be centrally planned—or, certainly, the idea that law *ought* not be centrally planned—never occurs to the typical legal scholar. For him, the law and the state are one and inseparable.

Thank goodness that economists have never seriously entertained such a crude notion about economic phenomena. □

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BOOKS

The Skeptical Environmentalist: Measuring the Real State of the World

by Bjørn Lomborg

Cambridge University Press • 2001 • 515 pages • $65.00 hardcover; $28.00 paperback

Reviewed by Jane S. Shaw

Bjørn Lomborg has shaken up the world of environmentalists. Describing himself as "an old left-wing Greenpeace member," the Danish statistician has produced a book that undermines most of the apocalyptic scares that keep Greenpeace afloat. *The Skeptical Environmentalist* makes a persuasive case that the environment is improving, not getting worse, and that most of the problems that Greenpeace and other activist groups call imminent crises such as acid rain and global warming are, instead, manageable problems.

At first, Lomborg's book was greeted enthusiastically, and, as a vegetarian backpacker, he was hailed as a charming curiosity. Writing in the *New York Times,* Nicholas Wade found it "a surprise to meet someone who calls himself an environmentalist but who asserts that things are getting better . . . and that even global warming is not as serious as commonly portrayed."

But then the long knives were drawn. Prominent individuals, including scientists who have taken hard-line positions on environmental topics, apparently felt attacked by Lomborg's impressive 515-page tome. They turned on him. An almost hysterical review by ecologists Stuart Pimm and Jeff Harvey asked why Cambridge University Press "would decide to publish a hastily prepared book on complex scientific issues which disagrees with the broad scientific consensus, using arguments too often supported by news sources rather than by peer-reviewed publications."

When one actually looks at the book, it is difficult to see how anyone could honestly make such charges. To begin with, *The Skeptical Environmentalist* is written in a thoughtful, conversational manner, with little dogmatism and plenty of humility. The discussions are backed by solid data, often carefully organized into graphs and tables. For anyone who has scrutinized these issues dispassionately (as I have tried to do in previous writings, as have many others, such as Julian Simon, Ronald Bailey, Joseph Bast, P. J. Hill, Wallace Kaufman, Gregg Easterbrook, and Michael Sanera), Lomborg's conclusions are reasonable and well-supported.

Lomborg's chief goal is to identify broad trends, some strictly environmental (such as whether 40,000 species are becoming extinct each year, as some claim) and others relating more directly to human conditions (such as whether food production is outpacing population). He explains that one could "easily write a book full of awful examples" or, alternatively, a book "full of sunshine stories," but both would be "equally useless." In addition to assessing global trends, he analyzes specific environmental hazards.

For the most part, Lomborg relies on widely accepted source materials (which makes the Pimm/Harvey complaint ludicrous). These are respected (although imperfect) collections of data from organizations like the Food and Agriculture Organization and the World Health Organization. For U.S. data, Lomborg relies on sources such as the Environmental Protection Agency and the Department of Agriculture. What his critics are loath to admit is that these mainstream sources tell a story of steady improvement in human conditions and lessening of environmental risk. (In the case of global warming, which involves not so much factual material as predictions based on computer models, Lomborg relies on the Intergovernmental Panel on Climate Change [IPCC], the best-known scientific organization dealing with global warming.)

Sometimes Lomborg takes issue with his source material—specifically, he questions some of the IPCC decisions—but for the most part he accepts the conclusions of governmental and U.N. organizations. For example, when the EPA claims that 15,000 to 22,000 people are dying in the United

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States each year from radon seeping into their homes, he does not dispute it, although many have. Rather, he points out that such indoor air pollution is often ignored under a welter of worries about far less serious problems such as fears of cancer from pesticide residues on foods.

Undoubtedly, some of the reaction to *The Skeptical Environmentalist* stems from Lomborg's criticism of a few luminaries among environmental doomsdayers, such as Lester Brown of the Worldwatch Institute and Paul Ehrlich of Stanford. Lomborg shows how Brown misuses short-term trend data so that they appear to support his pessimistic claims. For example, Brown selected the beginning and ending point of a recent historical period to give the impression that grain yields are falling. In fact, the longer trend shows them rising. Lomborg's critique of Brown is unassailable, and he is not the first to level it. But Brown's friends have chosen to circle the wagons. Perhaps because the book is such an impressive collection of statistical data, they feel they must knock it down if they can.

Eventually, the brouhaha will subside and *The Skeptical Environmentalist* will take its place on our shelves as a useful reference. Indeed, the book is already being cited as a source. For those more interested in facts than rhetoric, it will be valuable for years to come. □

Jane Shaw is a senior associate of PERC—The Center for Free Market Environmentalism—in Bozeman, Montana, and coauthor (with Michael Sanera) of Facts, Not Fear: Teaching Children About the Environment.

The Joy of Freedom: An Economist's Odyssey

by David R. Henderson

Prentice Hall • 2001 • 361 pages • $27.00

Reviewed by George C. Leef

Growing up in a fairly poor family in rural Manitoba, David Henderson would have seemed an unlikely candidate for the authorship of one of the most resounding libertarian books to come along in years. But an innate sense that there was something valuable in having the freedom to live one's life according to one's own choices kept the young man from being trapped in the bog of envy and egalitarianism that prevails in Canada. At a propitious moment Henderson laid his hands on a copy of Ayn Rand's *The Fountainhead*. From that point on he was hooked. *The Joy of Freedom* is Henderson's story of his discovery of the importance of liberty and the dour consequences for human beings when it is taken away.

Although the book has autobiographical aspects—its subtitle is *An Economist's Odyssey*—it isn't so much an autobiography as an impassioned brief for a society shorn of coercive governmental meddling. Unlike most autobiographies, in which the author indulges in the narcissistic belief that the details of his life are fascinating to others, when Henderson writes about himself, it is always incidental and useful to his purpose of trying to convince the reader that freedom works.

In that endeavor he succeeds wonderfully. His odyssey in the discovery of freedom is one that anyone could take, not necessarily winding up with a Ph.D. in economics from UCLA, service on the President's Council of Economic Advisers, and, currently, a fellowship at the Hoover Institution, but in coming to understand the fantastic potential of free people to make progress and solve problems. Most of the book is devoted to disputes between advocates of liberty and statists—the "distribution" of income, minimum wage, property rights, health care, taxation, and so on—and in issue after issue, Henderson cogently, unequivocally advances the logic and morality of the libertarian side.

His technique is to weave into his discussion strands of individual stories (sometimes his own experiences, sometimes other people's), good economic analysis, statistics, and statements by defenders of government intervention. In doing so, he creates chapter after chapter of sharp libertarian argumentation. People unfamiliar with the case for the superiority of freedom over statist intervention will find themselves saying, over and

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over, "Well, I hadn't ever thought of that." And those of us who are veterans of the war against incessant government encroachments on our liberty and property will discover much that is new, ready for incorporation into our arsenals.

Here's a good example of Henderson at work. Labor unions try to cultivate the impression that they are the champions of "the little guy" and have only the interests of the workers at heart. It would be hard for any objective reader to continue to hold that idea after Henderson is done with it. He uses the words of a union official to do much of the demolition work.

The episode is the infamous attempt by the garment workers' union to prevent women from knitting ski caps, scarves, and similar items in their own homes. That activity constituted lower-cost competition, and the union wanted it stopped. Naturally, it turned to the U.S. Department of Labor to enforce blatantly authoritarian regulations forbidding homework. While Henderson was working for President Reagan, hearings were held on those regulations. A union official named Alex Rose testified that homework should be banned so that workers would then turn to factory jobs with all the union "benefits" (and, of course, dues payments as well). Henderson asked Rose, "Do you know of a woman named Cecile Duffany?" "No," he said curtly. "Mrs. Duffany has acute arthritis in her hips and she can't work in a factory. If this ban stays, Mrs. Duffany will be out of work. What would you have her do?" "If she can work in her home, she can work in a factory!" the official snapped angrily.

Henderson is also dynamite on education. He argues that "One of the biggest snow jobs that advocates of government schools have successfully pulled is to convince the public to think of 'schools' and 'learning' or 'schools' and 'education' synonymously. They are not synonymous. Schools don't have a monopoly on learning. They don't even have a large market share."

Henderson observes that much of what people need to learn, they learn at home, on the job, or in other nonschool environments, then follows up by writing, "Observers have marveled at how well our economy does—that is, how well individual workers in that economy do—in spite of our lousy education system." Advocates of government schooling often say that the fact that the economy is strong is proof that the schools must be pretty good, but Henderson won't buy it. "What it really shows is that the U.S. school system is only one of many inputs into people's learning." He maintains that government schools are in fact doing a miserable job and that "one of the main resources that the government school system wastes, one that is rarely talked about, is children's time." Right!

David Henderson wrote *The Joy of Freedom* to help advance the cause of freedom. He has done an excellent job, and I urge readers to aid in that project by putting the book into the hands of as many educable people as possible. Graduations are just around the corner. The book would be a great gift for high school and college students. □

George Leef is the book review editor of Ideas on Liberty.

Friedrich Hayek

by Alan Ebenstein

St. Martin's Press • 2001 • 403 pages • $29.95

Reviewed by Bettina Bien Greaves

In this first full-length biography of Friedich Hayek—economist, thinker, Nobel laureate, and political philosopher of the rule of law, liberty, and limited government—Alan Ebenstein offers a veritable intellectual travelogue of Hayek's journey through life. As a student, we learn, Hayek was mildly socialist. However, Austrian economist Ludwig von Mises's devastating critique, *Socialism* (1922), "fundamentally altered [his] outlook." Through continued study, Hayek became an Austrian (and free-market) economist and, in time, the philosopher of liberty.

To obtain insight into Hayek as a person, scholar, and philosopher, Ebenstein, himself

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an economist and author of six previous books on economic and political thought, read and re-read Hayek's works, and researched his life thoroughly, including letters to and from Hayek, articles about him, and interviews with him and his friends. Then Ebenstein wove all that material together to describe Hayek's intellectual "travels." Separate chapters are devoted to persons important in Hayek's intellectual life: John Stuart Mill, Mises, Lionel Robbins, John Maynard Keynes, Karl Popper, and Milton Friedman.

Mises encouraged Hayek's studies of the importance of competitive market prices, which led to his major contributions. His concept of the market's "spontaneous order" came from his understanding of prices and demonstrated that, as Ebenstein writes, "absent an orderer, human society can achieve great orderliness." Too little emphasis, Hayek wrote, "has been placed on the fragmentation of knowledge, on the fact that each member of society can have only a small fraction of the knowledge possessed by all, and that each is therefore ignorant of most of the facts on which the working of society rests." Hayek explained how market prices help to alleviate the knowledge problem by transmitting widely dispersed, nonverbal knowledge.

In 1920 Mises argued that a socialist society—in which property was collectivized, no factors of production were traded, and hence no market prices existed—would be unable to function because socialists would be unable to perform economic calculations. To this argument Hayek added that, without the knowledge market prices impart, the planners would lack the very information they needed to formulate a plan.

In England Hayek taught at the London School of Economics, wrote several books, and gained a reputation as a technical economist. He debated John Maynard Keynes. Hayek said he was then considered "one of the two main disputing economists. There was Keynes and there was I." Keynes died in April 1946 and became "a saint." But, Ebenstein writes, Hayek discredited himself academically by writing a book for popular consumption, *The Road to Serfdom*, and "was gradually forgotten as an economist."

As a young man, Hayek saw his native Austria drift toward socialism. And again in England during World War II he witnessed Britain drift in that direction. *The Road to Serfdom* portrayed German Nazism and Soviet socialism as essentially the same. Socialism and liberty were incompatible, he maintained. The most effective way to assure freedom and individual rights was not central planning, but market competition within a "carefully thought-out legal framework." "[A] policy of freedom for the individual is the only truly progressive policy." The "socialists of all parties," to whom Hayek dedicated the book, were apoplectic and responded with vehemence, but rarely came to grips with Hayek's arguments.

The book's fame soon crossed the Atlantic. Through the efforts of the London-based Institute of Economic Affairs, its devastating critique of socialism gained notoriety and later political influence during the administrations of Prime Minister Margaret Thatcher in England and President Ronald Reagan. The book also "revolutionized" Hayek's life, Ebenstein notes, transforming him from economist to political philosopher.

In 1950 Hayek moved to the University of Chicago's Committee on Social Thought. His next two major works, *The Counterrevolution of Science* (1952) and *The Constitution of Liberty* (1960), enhanced his standing as a political philosopher. The former demonstrated that positivists and historicists, by applying the methods of the physical sciences to economics, were laying the grounds for socialism; the latter presented his philosophical defense of liberty. Hayek's basic thesis throughout his life, appearing most prominently in his later writings, was that "[t]he most important institutional safeguard of individualism is the rule of law." "Where not laws, but men rule," he maintained, "no one is free and great coercion is inevitable." Hayek was adamant that nothing had contributed more to the prosperity of the West than the "relative certainty of the law."

Hayek's three volumes, *Law, Legislation*

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and Liberty (1973, 1976 and 1979), plus a summary volume, *The Fatal Conceit* (1988), established his well-deserved reputation as the philosopher of liberty.

According to biographer Ebenstein, "His writing will serve as a beacon to enlighten centuries." We are indebted to this author for his excellent work in illuminating the long and productive life of this great advocate for liberty. □

Bettina Greaves was a senior staff member and resident scholar at FEE for more than four decades. Now a resident of North Carolina, she is a member of FEE's Board of Trustees.

World War 3.0: Microsoft and Its Enemies

by Ken Auletta

Random House • 2001 • 438 pages • $27.95

Reviewed by Barbara Hunter

Journalist Ken Auletta's book about the Microsoft antitrust case is not just another Microsoft-bashing diatribe. On the contrary, *World War 3.0* is a remarkably evenhanded investigation of this infamous case, providing some good insights into the basis (or lack of it) of the now-nullified judicial order to break Microsoft into two companies. Unfortunately, the book doesn't probe far enough into the villainies of the case or provide the reader with grounds for skepticism about the whole antitrust enterprise.

Auletta deals at length with what he considers to be the immaturity of Microsoft president Bill Gates. He describes in minute detail his firsthand observations of Gates's temper and resentments—a theme that recurs throughout the book. One eventually wonders why the personality of a corporation's CEO should be relevant to judicial decisions concerning the company's future. In what field of law other than antitrust could executive personality traits be important?

The author also points out that the key players against Microsoft—Joel Klein, head of the Justice Department's antitrust division; David Boies, the government's lead attorney; Thomas Penfield Jackson, the trial judge; and even Attorney General Janet Reno, without whom the case would never have proceeded—were computer illiterate. Worse still, they had no comprehension of the computer market and contrived a ridiculously narrow definition of the market in order to justify the case—but Auletta does not discuss that important point.

The first stage of the trial, together with Judge Jackson's Findings of Fact, received extensive attention from the press, especially on television. The government's handlers used a three-hour Gates deposition to maximum advantage by airing snippets of it, together with carefully chosen parallel snippets of e-mails and reports of alleged meetings, to paint a picture of a rapacious, immoral, law-breaking corporation in need of a comeuppance. The radio, television, and print media hung on every word and gathered on the courthouse steps each afternoon to hear what the antitrust lawyers had prepared for them—to the point where Microsoft was in danger of being condemned in the court of public opinion long before any real court was close to a verdict of any kind. To his credit, Auletta doesn't take up the "Microsoft is evil" chorus; he shows instead that the public image crafted by the government and Microsoft's rivals was just a giant PR operation.

The Findings of Fact took an almost incredible turn. In effect, Judge Jackson made it plain that he believed and accepted everything the government's witnesses had to say and disbelieved and rejected everything Microsoft's witnesses had to say. Auletta highlights this point when he titles the chapter "Judge Jackson's 'Facts'" and expresses the view that "Jackson's views about the future were not so much deduced as asserted." It was not surprising that the judge commended Microsoft's competitors for proposing to split the company and that he himself issued such a ruling. From the start, the case had the odor of rivals using the law to disable a competitor. The Court of Appeals subsequently chastised Judge Jackson, in some of the harshest terms to come from one court to another, for his

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interviews and speeches both during and after the trial, in which he likened Microsoft to criminals and mobsters.

Auletta's book provides both lively reading and an excellent background on this (sadly) still-continuing case. What is missing, though, is any insight into the essential problems of antitrust enforcement. He seems oblivious to the economic damage that is done when government lawyers, eager to polish their reputations, gang up with covetous rivals to punish successful firms for behavior that can be called "predatory" or "monopolistic." On the contrary, Auletta gives his readers the conventional view that following the Civil War "corporations rapidly consolidated and flaunted their wealth and power in the Gilded Age, which in turn spurred a backlash against corporate arrogance." If he had familiarized himself with the free-market critique of antitrust, he could have written a much deeper book.

Readers of *World War 3.0* will learn a lot about the minutiae of the Microsoft case, but it should definitely not be the only book one reads about it. □

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Bowling Alone

by Robert D. Putnam

Simon & Schuster • 2000 • 541 pages • $26.00

Reviewed by Loren Lomasky

Many afternoons my junior high school friends and I assembled at the Bloomfield (Connecticut) Bowling Alley to plunk down our quarters for shoe rental and then to bowl a few strings. So as not to make that four-mile bike ride in vain, we scheduled our outings to avoid conflict with the various leagues that had priority. I don't know if today's adolescents care for bowling, but according to sociologist Robert Putnam, they need not much worry about preemption by league bowlers. Americans increasingly are abandoning league bowling, just as they are withdrawing from other sorts of recreational, charitable, fraternal, and civic organizations. Do these retreats matter? According to Putnam, yes.

Face-to-face group activities are valuable because they help breed social trust. Cooperation is unlike an ordinary consumer good which, once expended, is gone. Rather, it more resembles capital assets that yield ongoing dividend flows. Accordingly, Putnam employs the term social capital to refer to enduring trust relations. Social capital is a near kin to what economists have dubbed human capital: those personal capacities that afford continuing returns.

Some investments in human capital, such as apprenticeship in a craft or long hours practicing the flute, enable their possessors to perform one particular kind of activity. Other kinds of human capital can be profitably deployed in many arenas; such is the theory behind an education in the liberal arts. But whether narrowly or broadly focused, human capital is a kind of property that brings benefits to its owner. Thus, there is no mystery about why people invest in accumulating human capital; they do so for the same kinds of self-interested reasons that motivate them to buy mutual funds or washing machines.

Social capital, however, is not similarly assignable. That is because it is manifested in persistent relationships within interactive communities. Whether I am able to take advantage of opportunities for profitable transactions with my fellows does not depend so much on whether I am content to cooperate with them as it does on whether they are inclined to trust me (and others) as potential partners in joint activities. If we are all mutually suspicious, then we will tend to wall ourselves off from one another and lead cramped, parched lives. Conversely, if we customarily accord each other the benefit of the doubt, then our chances of gain from cooperative interaction are good. Generalized social trust, therefore, has the nature of a public good, one available to many if available to any.

How a social order secures for itself an adequate supply of public goods is one of the most persistent conundrums confronted by economics and political philosophy. When

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benefits are indiscriminately enjoyed by all, there is a powerful incentive to withhold one's own contribution in the hope of free-riding on others. The customary remedy is coerced subscription. More often than not, that approach leads to overpayment or buying the wrong things entirely.

Putnam offers a different approach to the problem of accumulating social capital. It is the product, he maintains, of repeated interactions among individuals engaged in purposeful activity. More specifically, it is a *byproduct*. Without ever consciously aiming at the establishment of trust relations, that is what joiners and doers achieve. Moreover, if they genuinely cherish their lodges, volunteer fire departments, and bowling leagues, they achieve it painlessly, with no perception of sacrifice.

The author supplies a wealth of data indicating that since the 1960s American social capital has been significantly depleted. The material served up in *Bowling Alone* goes down so easily that readers are apt not to realize how much information they are receiving. Interpretation, though, is often double-edged. For example, are virtual conversations in Internet chat rooms better understood as manifestations of connectedness or instead as a further atomizing of Americans? If millions of women have exited their clubs and charities for roles in the workplace and soccer-mom service, can we be confident that the transformation constitutes a net diminishment of social capital?

Even the book's title is problematic. Leagues may have dwindled, but a visit to your local bowlarama will reveal that their place has been taken by groups of friends out for a good time, not one-to-a-lane solitary keglers. Because the waning of old organizational forms is more readily observable than the gestation of new ones, Putnam's verdicts may be overly pessimistic.

It is easy to identify vulnerable patches in *Bowling Alone*, but that fact should not overshadow the book's considerable merits. Free markets are central to the thriving of a liberal order, but so too, Putnam reminds us, are the nonmarket relationships we freely take on. No contemporary theorist has so comprehensively and eloquently underscored the importance to a society's health of rich networks of voluntary association. He may perhaps be faulted for insufficiently attending to the ways in which the welfare state has displaced the functioning of private associations, but the clear thrust of Putnam's message is pro-freedom. As such, *Bowling Alone* makes a substantial addition to the intellectual capital of liberalism. □

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States' Rights and the Union Imperium in Imperio, 1776–1876

by Forrest McDonald

University Press of Kansas • 2000 • 296 pages • $29.95

Reviewed by James Ostrowski

Historian Forrest McDonald has produced this fine survey of how the idea of divided sovereignty has played out in American history. "Imperium in Imperio" means "sovereignty within sovereignty, the division of sovereignty within a single jurisdiction." They said it could not be done—that sovereignty could not be divided. In 1789, however, the Americans tried it anyway and with mixed results. The people of the states created a regime that divided sovereignty—supreme authority—between the federal and state governments.

That being the case, it seems silly to ask, "Which came first, the states or the federal government?" Abraham Lincoln asked this question and answered, "the federal government"; and McDonald skewers him. Members of the Continental Congress "were there as agents of existing political societies, and in the nature of things, agents cannot authorize their principals to do anything."

For a while, the original vision held true, and the size and power of the federal government was restrained. Yes, there was that pesky Federalist era, but when they took power in 1801, the radical Republicans did "strive to strip down the machinery that

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Hamilton and the Federalists had put in place, and to some extent they succeeded." Taxes were axed. The Alien and Sedition Acts expired and pardons were issued. They reduced the army to a mere 3,350 men.

When war with England came in 1812, the United States was unprepared with its small army and small treasury. Although President Madison called up the militias of the states, New England refused to comply. McDonald believes this war showed the defects in the militia system. However, militias are designed to defend the homeland, not to attack foreign countries. Thus, foreign countries do not feel threatened by them.

Paradoxically, McDonald cites New England's reaction to the War of 1812 as evidence of the weakness of the Jeffersonian system. That region sat on its hands during the war in a virtual state of secession, if not treason. The Yankees "conducted a lucrative trade with the enemy." Lincoln's hero, Daniel Webster, decried conscription proposals. Sounding like Jefferson, he asked, "Where is [conscription] written in the constitution?" The New England states met in convention to discuss secession. That talk fizzled, but the resolution they passed avowed that state governments may interpose themselves between their own citizens and arbitrary federal power.

Before the Civil War, the states' rights faction was "triumphant." Andrew Jackson "resisted efforts by Congress to extend the scope of the federal government and worked diligently to reduce the activities in which it was already engaged." He cut the national debt and eliminated the Bank of the United States. By the time Jackson left office, the federal government had become "virtually nonfunctional."

With sectional differences acute, old debates about the nature of the Republic were revived. William H. Seward countered the states' rights view with his own: the union was of the whole people, not of the states. If true, this would make the right of secession implausible. Southerners did not agree. They were too busy reading Thomas Prentice Long's analysis of the disparate impact of the federal tariff. He concluded that the North took about $250 million from the South as the result of the tariff and other federal fees. Whether the ultimate cause of the war was the tariff, slavery, or the preservation of the union, McDonald does not purport to resolve.

Without opposition from the South, Lincoln enacted Henry Clay's American System: high tariff, internal improvements, and inflation. McDonald graciously describes Lincoln's attitude on civil liberties this way: he went "beyond the bounds of the Constitution as it had been understood." Lincoln's people hijacked an election in Maryland. Over 13,000 political prisoners were taken, and newspapers were suppressed. He resorted to conscription to fight a war retroactively defined as against slavery. The citizens of the North and border states had to be forced to force the South to have a "new birth of freedom."

Strangely, McDonald does not view the New Deal as an all-out assault on state prerogatives. The measures were mostly "economic" in nature and did not interfere with traditional state "police powers." To justify this, however, we must follow McDonald's use of the term "property relations" as not involving "economic" activity, which is a stretch. He is on sounder ground in describing World War II as involving an "expansion of government [that] dwarfed any that had taken place before." The postwar years were not good ones for the cause of states' rights, associated as that concept was at the time with racial segregation by law. And under Lyndon Johnson, federalism completely collapsed. His "Great Society" destroyed the notion that there were certain areas of policy reserved to the states.

It is not always apparent where Professor McDonald stands on the battle between the Jeffersonians and Hamiltonians, between the proponents of states' rights and the nationalists. That may be due to his evenhandedness as a scholar. Or maybe his view lies in the middle. □

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IDEAS ON LIBERTY
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Is Monopoly Good or Bad?

Monopoly is nearly always seen as something undesirable. Courts have wrestled with monopoly for ages, sometimes defining it as "the power to control prices and exclude competition," "restraining trade," or "unfair and anticompetitive behavior." Should monopolistic practices be condemned and outlawed? Let's look at anticompetitive behavior and practices, but let's not confine ourselves to what's traditionally seen as monopoly.

The marriage contract is essentially a monopoly document. It represents a legally sanctioned collusive agreement between two parties to exclude competitors and restrain trade. It closes the market to competition, or at least it is supposed to. This collusion has benefits as well as costs. Because I have exclusive rights to her affections and property rights to a stream of highly valued domestic services, I place a higher value on my spouse, making me willing to share with her a greater percentage of my wealth. My spouse receives a comparable set of benefits from this collusive arrangement.

This monopolistic arrangement has a cost side and perhaps some inefficiencies as well. Neither one of us is as attentive as we were before we made our contractual arrangement. For my part, I don't open the car door for her as often, don't use breath fresheners and colognes as frequently, am not nearly as considerate and gentlemanly as before our marriage some 42 years earlier. The reason is simply that before marriage I was competing against other men and therefore could ill afford to act as a monopolist.

Read the Old Testament's Book of Deuteronomy, Chapter 5, where God gave Moses the Ten Commandments. The first commandment, and presumably the most important is, "Thou shalt have none other gods before me." The second is, "Thou shalt not make thee any graven image, or any likeness of any thing that is in heaven above." Then there's, "Thou shalt not bow down thyself unto them, nor serve them: for I the Lord thy God am a jealous God." If a corporation made a similar decree regarding its services, it would find itself in the sights of the U.S. Department of Justice for gross violations of the antitrust provisions of the Sherman and Clayton Acts. The Ten Commandments decree exclusive dealing and mandate neither substitutes for nor competition with God.

For one to condemn all monopolistic practices as evil, at least for consistency, he would have also to condemn marriage and the basic tenets of Christianity. I condemn neither marriage and the monopolistic tenets of Christianity nor business and labor union monopolies. The only moral argument that can be used to condemn and outlaw monopoly is when it is created through fraud, threats, intimidation, and coercion.

Our nation has a number of government-sponsored, -created, or -protected monopolies and collusions in restraint of trade. One of the more egregious examples is the U.S. Postal Service. The federal Private Express

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Statutes, Sec. 310.2 "Unlawful carriage of letters," says, "(a) It is generally unlawful under the Private Express Statutes for any person other than the Postal Service in any manner to send or carry a letter on a post route or in any manner to cause or assist such activity. Violation may result in injunction, fine or imprisonment or both and payment of postage lost as a result of the illegal activity." The Private Express Statutes have the full effect of saying, "Thou shalt have none other deliverers of first-class mail before the USPS and we shall visit great pain on he who disobeys this commandment."

The U.S. Postal Service is a government-owned monopoly; however, there are numerous privately owned monopolies and collusions in restraint of trade. In fact, nearly every federal agency is an enforcer of monopolistic collusive agreements. Until the 1980s the Interstate Commerce Commission and the late Civil Aeronautics Board enforced price-fixing agreements in the trucking and airline industries. Deregulation brought an end to those collusive agreements.

Thriving monopolistic agreements, at the federal level, are enforced by agencies such as the U.S. Department of Labor, National Labor Relations Board, Department of Agriculture, Federal Communications Commission, Department of Education, and Department of Commerce. The rule of thumb to determine whether effective collusion exists is to see whether there are mandated minimum prices, license-to-practice provisions and other restrictions on entry, and, finally, techniques to enforce compliance among the colluding members, such as revocation of license or permit to practice, fines and imprisonment, and other sanctions.

The free market, including free international trade, is the most effective protection against monopolistic abuses. In fact, in a free and open market, monopolistic companies can retain their monopoly power only if they do not fully exploit it; otherwise other companies will enter. □

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